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WAR, PEACE AND PRICES—By Thos. L. SexSmith

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The MAGAZINE of WALL STREET
FEARLESS - FORWARD LOOKING - FORTNIGHTLY

Vol. 20. May 12, 1917 No. 3

THE OUTLOOK

The Break in the Rails—High Investment Yields—Success of War Loan Assured—Inflation—The Market Prospect

THE decline in prices of standard railroad stocks has been the notable feature of the market. Few appreciate the extent to which it has been carried. Among the principal railroads of the country, the following have sold even lower than in the panic of 1907:

Baltimore & Ohio	Illinois Central
C. M. &. St. Paul	New Haven
Chicago & N. W.	New York Central
Big Four	Ontario & Western
Delaware & Hudson	Pennsylvania
Erie	Northern Pacific
Great Northern	Mo. Kans. & Tex.

And this list is exclusive of such roads as Missouri Pacific, Rock Island, Wabash, St. Louis & San Francisco, Chicago Gt. Western, Minneapolis & St. Louis, Wheeling & Lake Erie, etc., which have in the meantime passed through receivership and reorganization.

In the industrial section of the list the situation is of course quite different. Nearly all industrials are far above the prices of 1907 and most of the steel and copper stocks are still within hailing distance of the high points touched in 1916.

Causes of Weakness in the Rails

THE immediate occasion of the heavy selling of the rails has been the desire of large investors to put their money into the new Government loan. Investors have naturally liquidated those issues which seemed to have the poorest prospects. As between Steel common, for example, now earning at the rate of over 50 per cent. a year, and Great Northern, earning at the rate of 9 per cent., the investor who wishes to put money into United States bonds would naturally prefer to sell the Great Northern—even though earnings of 9 per cent. should be sufficient to maintain dividends.

But the real cause of the decline in railway values lies deeper. Many investors have become discouraged as to the whole railway situation. They reason that the rails are able to earn only a moderate excess over their dividend requirements even with the record-breaking business now being hauled; that their needs for new capital are very large, and the new capital is nowhere in sight for a long time to come; that rates are now under the iron control of the

Interstate Commerce Commission; and that the Government is already practically conscripting the roads for war purposes. The Commerce Commission has just given a loud hint that the roads should not increase dividends during the war, and it is presumed that extra dividends, as paid by the Union Pacific or the Norfolk & Western, for example, will also come under the ban.

If this is the outlook for the railroads now, with general business activity at the top notch, what can be expected when the country is carrying the burden of a costly war, the duration of which cannot be estimated?

This is the line of reasoning which has led to such free sales of railroad stocks.

The Other Side

THERE is always another side to the picture. Transportation is a prime necessity and the war makes it more necessary than ever, and to be in a position to furnish it the roads must be permitted to earn reasonable profits. The Interstate Commerce Commission is evidently disposed to look more favorably upon an advance in freight rates than ever before. In fact, in view of the Government's attitude in practically forcing the roads to pay higher wages, it is hard to see how higher rates can be refused.

In conscripting the roads for war purposes, the Government will pay for their services; and the proposed limitation of passenger service, shortening of the time allowed shippers for loading and unloading cars, and gain in efficiency by the pooling of freight traffic, will all aid the roads in reducing expenses, while the public will be in no position to complain about the inconvenience that may result.

If the roads cannot get capital for extensions and improvements, that means that their present plants will be intensively operated. They must and will get out of it every dollar of service possible.

Hence, even though inducements for speculative activity in railroad stocks may be small while the war lasts, there is no apparent reason why investors should sacrifice their holdings at the present low level of prices. At 132 Union Pacific yields over 6 per cent. on an 8 per cent. dividend basis—ignoring the 2 per cent. extra; at 107 Great Northern yields more than 6½ per cent. on the investment; at 51 Pennsylvania yields nearly 6 per cent.; at 99 Northern Pacific yields over 7 per cent.; at 119 Louisville yields 5.9 per cent.—and so with numerous others.

The Industrials

THE industrial list as a whole is still well above the low point of February, having resisted the depression in the rails with considerable success. But in the mixed conditions created by the war it is no longer possible to consider the industrials together. There is wide variation in the market movements and outlook of the various issues.

Thus the principal steel and copper issues have participated but little in the decline. They are still only a little below their high point of March. The equipment stocks have lost more, but have still held their own much better than the rails and are well above their low prices of last February. The motor issues have been even weaker than the rails, although their decline came earlier, and shorts took the opportunity to cover while the rails were falling.

The market shows less disposition to move as a whole than ever before; hence it is necessary for the investor to make his selections with unusual care.

Effect of the War Loan

THE United States bond sale will naturally have its primary effect on investment capital. A 3½ per cent. tax-free bond is equivalent to an ordinary investment yielding from 4 per cent. to 5 per cent. or higher, according to the income tax schedule that may eventually be decided upon by Congress. Some are selling other investments in order to participate in the new loan, but they are selecting the issues having a relatively low income yield, such as bonds and the highest grade of investment stocks.

The effect of the war loan on speculation will be secondary and much more complicated. A moderate rise in money rates does not deter the speculator from buying a stock which he believes is likely to advance sharply—the slight additional cost of carrying the stock would be only a small fraction of his expected profits. It is not until there is an actual scarcity of capital available for speculative purposes that the drain of the war loan will begin to have a marked effect on speculation, and that point has not yet been reached.

Business Inflation Unavoidable

ON the other hand, a considerable degree of credit and business inflation will necessarily accompany our war activities. That will tend toward higher prices in many lines and toward a general maintenance of the price level of commodities. It is noticeable, for example, that steel and iron prices are still rising, in spite of the exalted level at which they are already selling, and copper metal is again strong under heavy domestic purchases around 30 cents a pound.

It may be taken for granted that the Government and the banks will do whatever can be done to prevent inflation, but there is no way to borrow and spend $5,000,000,000 without inflation. Such a tremendous amount of capital can be furnished by American investors, but not at once. There is no store of liquid wealth on hand from which such a sum can be drawn. The accumulating surplus of the country will have to be gradually drawn off into Government uses instead of being devoted to other purposes. And in the meantime the banks will have to provide for immediate Government expenditures by expansion of credits.

Success of the Loan Assured

THAT is the way the first $2,000,000,000 is being raised, and it is what insures the success of the offering. The banks have already taken $450,000,000 of 3 per cent. certificates which mature July 17. These bank credits are being transferred to England, France and Italy and are being used for current U. S. Government purposes as needed. The net result is that $450,000,000 of bank credits have been poured into business circles in the form of purchasing power.

The Market Prospect

CATEGORICAL predictions as to the future of the markets, in the midst of the new, confused and complicated conditions created by our entrance into the World War, would be absurd. But it is plain that the two great factors in the situation are:

(1) The tremendous drain on accumulated and accumulating capital.
(2) The rapid expenditure of that capital under high pressure.

The first factor is bearish, the second bullish. The first tends toward higher money rates and lower bond prices. Its principal effect is on strictly investment securities. Its effect on speculation is secondary and less important.

The second or bullish factor has but trifling effect on bonds, a greater effect on investment stocks, and its greatest effect on the common stocks of the companies which will most directly benefit from the Government's expenditures.

The policy of price limitation will lessen the profits of such companies. But production for war purposes must be stimulated and speeded up to the highest notch, and to accomplish that liberal profits will have to be allowed, and there will also be a large volume of domestic business over which the Government will have no price control.

May 8, 1917

WALL STREET SHOWS ITS COLORS

—*Underwood & Underwood.*

This picture was taken in Broad Street looking north to Wall and Nassau Streets. In the foreground are grouped the Curb brokers while in the middle distance one perceives the classic columns of the U. S. Sub-Treasury building. The flag at the right of the Sub-Treasury hides the new building of J. P. Morgan & Co.

Our War Financing

No Time for Investment "Slackers" — Dangers of Optimism — Must Adapt Ourselves to New Conditions— Bonds Versus Taxation

By LUIGI CRISCUOLO

[We take great pleasure in welcoming Mr. Luigi Criscuolo to the ranks of contributors to THE MAGAZINE OF WALL STREET. Mr. Criscuolo, who is the Investment Editor of The Independent, and a vice-president of the American Association of Financial Statisticians, has been a frequent contributor to the contemporary press on financial and economic subjects and is associated with important banking and financial interests.—EDITOR.]

Luigi Criscuolo

THE attention of our foremost economists and bankers has been focused upon the subject of our war finances. Statisticians have been busy gathering figures showing our wealth and income, while economists have argued for or against bond issues or taxation as a means of financing the war. Prominent men have broken into print on the ability of the country to absorb a loan of seven billions of dollars, or have argued in the negative. Others have expressed themselves in favor of taxing coming generations for a part of the expense to be incurred.

When the war broke out in Europe, no one seemed to have the real drift of what was going to happen to the United States, or to Europe. Predictions were made that the war would not last six months, that financial exhaustion would stop hostilities, that the tremendous loss of men and capital would bankrupt the belligerents, etc. The war has been raging for over two years and a half and only now are the Teutonic Allies beginning to show any signs of economic exhaustion. It is an American trait to do things in a hurry and without much deep thought. When the decision was made to enter the war all sorts of rash estimates were made as to how much money would be required, how many men we could send abroad and how the financing would be managed. Bankers were not to be consulted, some writers stated, and the authorities at Washington intended to handle the proposition without interference.

Seriousness of War

As a little time elapsed, the seriousness of the business of war began to loom up on the horizon. The utter unpreparedness of the country, from a military standpoint, began to be realized and those people who had advocated preparedness since 1914, found their fortunes in the ascendancy. News began to creep out that prominent bankers were in conference with the United States Treasury officials and it became apparent that the Government at last saw the wisdom of consulting with specialists in various lines in order to secure practical, expert opinion. When the seven billion dollar loan was talked of, the impression prevailed that it would be offered at once, two billions in short term notes, and five billions in long term bonds, three billions of the latter to provide the Allies with credits for purchases here.

After it was known that the Treasury officials had been conferring with bankers, the announcement was published that the bulk of the loan would not be offered before July first, but that certificates of indebtedness bearing 3 per cent. interest would be sold in blocks of $200,000,000 or so. Several blocks have already been sold, practically all being taken by banks. Some of the funds realized from the sale of these certificates are being used to finance purchases here on the part of England, France and other countries so the transactions will involve purely the shifting of credits from bank to bank. While the best authorities argue against the purchase of the war bonds by banks alone, the temporary financing should be handled by banks without any disturbance to the financial situation. However, when the credits begin to reach the billion dollar mark, the danger point begins to draw near.

Up to this writing, columns and pages of statistics have been printed in newspapers and periodicals, setting forth our great prosperity, wealth in gold, real estate, factories, mines, railroads and public utilities of all sorts. All of the figures are utilized to demonstrate that the United States is in an impregnable condition and can easily absorb a seven billion dollar loan, when England, whose national wealth is estimated at one-third of our own has been able to raise sixteen billions for the war. We should be confident and hopeful and enthusiastic about this business. But we must not permit our patriotism to blind us to the fact that money, like volunteers for the army, must be mobilized with considerable effort.

Investment "Slackers"

As there are "slackers" in the ranks of our male inhabitants, so there are "slackers" among our investors—people who quarrel and quibble about 3½ per cent. being too little, especially if the bonds are not to be tax-exempt. There seems to be overlooked what sort of a problem confronts us. If our people could but see Belgium or France or Poland and the terrible devastation caused by the war in property as well as men, they would realize what an unsafe commodity is *money*, what a cheap thing it is compared with the enjoyment of liberty. We love our liberty; our country is not perfect, but, to the European harassed right and left by tyranny and taxes this country of ours has been a veritable paradise. With its tremendous growth, obviously, taxes have had to increase and some corruption has shown itself. But all of these things come in a nation's life, and go with the people awake.

The investment of our savings in these 3½ per cent. bonds should not be a cold business transaction, nor should it be a philanthropic one. We are a nation strong in numbers and wealth, but weak in experience, equipment and armaments. Is not our duty plain? If we can send our dollars to insure the liberties of other democratic people, who are stronger than we are, are we not in addition insuring our own liberties to establish which so much blood has been spent? The problem is not one of statistics; the government will see that the money is honestly spent. We are not ruled by bureaucrats and some of the best minds in the country are alive to the crisis we face and are giving their time unselfishly. The problem is: first, one of *coaxing out the dollars* from the hiding places in the ovens, fire-places, mattresses; and, then, out of the savings of business and professional men and women, many of whom have never invested a dollar in bonds or stocks.

Corporate Financing

Some idea of the magnitude of the present requirements may be gained from citing figures on corporate financining in this country during the past few years. The average for the six years ended December 31, 1916, is estimated at $1,650,000,000. Adding to this the amount of financing done here by foreign countries in 1916, about $1,100,000,000, and the approximate amount of our securities repurchased from European holders in 1916, about $1,000,000,000, we have $3,750,000,000. This figure may be taken as an extraordinary amount which can be counted upon as the annual financial capacity of the country under present conditions, without undue exertion.

If corporate financing were to be at a standstill (which is not conceivable particularly as the war will stimulate business in general and require increased corporate financing) we could expect to raise in a year about four billion dollars without greater effort than in normal times. But we are living under extraordinary conditions and abnormal profits are being made in all lines of business. Therefore, with extraordinary efforts to reach all classes of investors and to make investors of people who have savings that are not employed it is not unlikely that we could float a three billion dollar loan in a short time without too great difficulties. Whether the whole seven billions provided for could be sold in a few months, or six, is a question that none but sufferers from exaggerated optimism would attempt to forecast.

There are many advocates of war revenue by taxation rather than through issuance of bonds. It is estimated that during the entire length of the war, England raised over five billion dollars by various revenues, principally taxation. This is at the rate of less than two billions a year. Last month, a schedule of proposed taxes was made public which would provide over $1,800,000,000 yearly. The methods included income, inheritance and excess profit taxes, various stamp taxes, increased customs, various amusement taxes, etc. Without knowing the extent of our intended operations or what the Allies will require of us, it is not possible to say how much money will have to be spent or how many men will have to be equipped. It is not likely, however, that our expenses will exceed five billion dollars a year, considering that a reliable estimate of England's expenditures from August 1, 1914, to March 3, 1917, show a total of a little over four billion pounds sterling, or say twenty billion dollars. Our requirements are placed at a smaller figure, because in the figures for England include loans to its Allies amounting to nearly £900,000,000.

Assuming that our expenditures will be five billions a year, outside of loans to our Allies, three billions might be raised from bond issues and two billions by taxation. The only interests which might object to high taxes are the ultra-wealthy, who may be taxed 40 per cent. of income, and they are the persons who ought to object the least. Their money is indeed useless unless it can be employed to protect the country and the lives of its owners. Seeing that while thousands must sacrifice their lives, a loss of income is not likely to worry the sensible multi-millionaire, who, after all, will realize that the sacrifice is only temporary and that it will be rewarded by an added feeling of security against tyrants and autocrats. So the question of taxation becomes a purely argumentive one about which we can talk ourselves to death.

Banquets to Bread Tickets

Whether the funds will be raised by bonds or taxes, we should prepare to adapt ourselves to a new mode of living. One speaker said recently, "The transition from banquets to bread tickets cannot be made in a day or a month, but if, with wheat at $2.50 a bushel it must come sooner or later, let it come sooner rather than later." It is not meant to infer that there should ensue a widespread move of economy, for either extreme is bad, but *waste* in any form is unnecessary and should be eliminated at once. Resources of all sorts should be conserved, food waste in the home should be prevented, waste in office or factory should be curtailed. Back yards of homes should be planted with vegetables by children who will benefit by the experience more than by attendance at the "movies" every afternoon.

The war may end before we know it. By the time we have perfected a complete organization for war purposes, we may find that the German people have rebelled against their rulers and dethroned them. And we may hear that the Allies, who cannot indict a people for the wrongs committed by their masters, will have accepted peace terms—honorable ones even. But, even though we may not have sent a man to France, we will have instilled into the American people added patriotism which, in a time when commercialism seems to be rampant, is more dear than gold.

"Switching" in Investments

Suggestions for the "Sleeping Investor"—Some Doubtful Issues Which Might Be Exchanged for Securities With More Assured Prospects

By GEORGE L. CONVERSE

THE annual report of the Treasurer of Yale University for last year announces the fact that the University has disposed of practically its entire holdings of New York, New Haven & Hartford Railroad stock, of which the previous report had shown it held 3,155 shares. This announcement calls attention to our often repeated advice to subscribers to closely follow their investments and to change them when it is necessary. There are all too many investors, who, holding investments for the income from interest and dividends, are satisfied until they wake up some day to find these investments not only heavily depreciated in value but failing to pay their interest or dividends.

Last October under the heading "The Sleeping Investor" we called attention to the manner in which investors all over the country had lost millions in such issues as New Haven, Missouri Pacific, Boston & Maine, Rock Island, etc. In view of the serious decline, which has taken place in a number of old line securities, the time seems opportune for calling the attention of our subscribers to a number of exchanges, which seem very advisable at this time.

Delaware & Hudson

Undoubtedly a great number of that same class of investors who lost millions in New Haven have also been witnessing their holdings in Delaware & Hudson depreciate heavily in value. This company is one of the oldest railroad companies in the country, having been started as far back as 1823. It has paid regular dividends at the rate of 9 per cent. per annum since 1907, inclusive. From 1882 until that time it had never paid less than 5 per cent. and it paid on several occasions as high as 7 per cent. As long as many stockholders have received their dividend, therefore, they have been satisfied and have not profited by the ill-fated example of the New Haven stockholders. In the meantime the general average of prices for this issue has shown a steady decrease ever since 1909 when it sold as high as 200. It has recently sold 17 points below the low paint of 1907, which was 123⅝. Hardly three weeks before it sold at 106½ it sold at 151. Such a tremendous decline undoubtedly forecasts a redtic-tion in dividends. Obviously then it behooves holders of this stock to look around and seek something into which they can exchange and get practically the same income. They can do this by exchanging into Corn Products Refining preferred, which in the opinion of many of the best authorities is now on a permanent 7 per cent. dividend basis.

In 1910 the Delaware & Hudson had a capitalization of $25,224 per mile in capital stock and a funded debt at the rate of $30,614 per mile, or a total capitalization of $55,838 per mile. Today, however, it has a capitalization of $24,568 per mile in stock but over $44,000 per mile in bonds. Furthermore, it has recently asked permission to issue $4,000,000 in 4 per cent. bonds. Such an issue would increase its funded debt to practically $46,400 per mile. In other words then, whereas the bonded debt in 1910 amounted to only 55 per cent. of the total capitalization, with this new issue of bonds it will be equivalent to over 65 per cent. of the capitalization. The percentage has shown a consistent increase. In the past such an increase has always been considered a weak feature. Taking this in connection with the decline in the stock, there is certainly sound reason for advising a sale. As a matter of fact the company never maintained its property on a plane with that of the better eastern roads. Some day this skimping of property will have to be made up. The dividend is assured for the coming year, but after that the future is not bright.

Corn Products Refining

Delaware & Hudson is a company the financial standing of which is weakening. On the other hand Corn Products Refining has been steadily improving its position both physically and financially. Its earnings as outlined in these columns before have shown a tremendous increase. In fact at the present time it is earning at the rate of about 15 per cent. on the common stock, which in turn is at the rate of about 31 per cent. on the preferred. In 1912 the company's interest charges were $356,000 against only $255,000 in 1915. Working capital in 1912 was only $5,010,000 against $11,579,000 in 1916. Net income for dividends in 1912 was only $2,050,000 against $6,083,000 in 1916.

As the table shows, the income from Corn Products Refining would be $95 less than that for 100 shares of Delaware & Hudson, but there is 9⅛ per cent. of back dividends accumulated on the former. This will probably be paid off during the coming year. It would therefore purchase 11 more shares, the income from which would be $77 per annum. In other words then, by the end of the first year a holder of 100 shares D. & H. who exchanged for Corn Products Refining would be getting an income of $882 against $900 as at present from Delaware & Hudson.

Lehigh Valley has recently touched the lowest point in several years. Here too is a stock which has gradually been declining. In view of its narrow margin above dividends for several years back and its decrease in earnings this year, the developments would also indicate some adverse action by the directors in the future. Here too is a stock which can be exchanged into Corn Products Refining Co., from which practically the same return can be had as that which Lehigh Valley stockholders are getting today.

Yale Sells New Haven

It is very probable that Yale University sold its New Haven stock for practically double the price at which the stock is selling today. In view of the heavy decline some persons may say that it will be better to hold on to it now. That is just what stockholders of this company have been saying for the last five years after every decline. This is the old conclusion which has cost investors so many millions. President Hadley of Yale in testifying in Connecticut the other day intimated that unless the preferred stock issue was permitted, a receivership for the New Haven was practically certain. Such a development would mean that New Haven would sell many points under its present price. In any event there is small chance for a resumption in dividends for a long time to come. Therefore, why take the chance of a receivership when one can purchase into another railroad company, which has just been reorganized and placed on a strong financial basis?

I refer to the Pittsburg & West Virginia Railroad, the common and preferred stocks of which have recently been listed on the New York stock exchange. Only a miracle or some such volcanic change as occurred in the spectacular boom of 1915 would enable holders of New Haven stock to get their money back through exchange into some other issue. By an exchange into Pittsburg & West Virginia common they are likely to get some of it back quicker than by staying with New Haven. This stock from all indications will go on a dividend basis before New Haven. No one can predict the actual market movements in it, but it ought to go on at least a 4 per cent. dividend basis within the next year and a half or two years. In order to get the same relative return as this one would have to get 6 per cent. on New Haven. A dividend of 6 per cent. on New Haven is one of the hoped for developments but probably one that will be a very long time, if ever, in coming.

Receiving Same Income

In the attached table I have shown how 100 shares of these stocks, which have been under very heavy pressure recently, can be exchanged into other stocks, from which practically the same return can be had. Back of the decline in all of these stocks, which I have selected as a sale, are factors, which mean that such issues must be looked upon in an entirely different light than in years past. The stocks which I have selected as worthy of investment with the proceeds from the sale of the others, are stocks of companies which have attained an entirely new position, they have greatly strengthened their financial status, are reporting big earnings today and the outlook for the future is good.

I would suggest an exchange of Brooklyn Rapid Transit for American Car & Foundry, an exchange of Public Service of New Jersey for American Sugar Refining common, and an exchange of Laclede Gas for American Woolen preferred. To be sure, on a basis of regular dividends the return from American Car & Foundry would be considerably less than that from Brooklyn Rapid Transit. However, the former is paying extra dividends and will probably pay at least 6 per cent. in the current year, which would bring the return practically to that which Brooklyn Rapid Transit is now paying. Furthermore, it is very probable that the dividend on Brooklyn Rapid Transit will be cut to 5 per cent. and probably 4 per cent., for the indications are that when the new subways are in operation it will mean a decrease in earnings on the stock of the company. With the dividends cut to 4 per cent. there would be no question as to the relative merits of these two issues. The railroads are badly in need of equipment. The Interstate Commerce Commission is duty bound to permit rates that will allow them to purchase this equipment. No company stands to benefit more from equipment buying than American Car & Foundry. With a profit and loss surplus of $25,810,000 it is in a financial position second to but few corporations in the country.

As the table shows the proceeds from the sale of Lehigh Valley invested in Corn Products preferred would give an income $52 less than that received from Lehigh Valley. The proceeds from the payment of the accumulated dividend, however, would purchase about 6 shares of Corn Products, preferred. This in turn would increase the income to $483, or only $17 less than that from Lehigh Valley. From all indications the Corn Products Refining Co. is going to retain a considerable portion of its increased business. Certainly it will be sufficient to assure the payment of the 7 per cent. preferred dividend well into the future. Therefore, despite any fluctuations which may come in the market I believe holders of the stock will be assured of their present income, something of which they are not assured either in Delaware & Hudson or Lehigh Valley.

SOME SUGGESTED INVESTMENT "SWITCHES"

SELL				BUY	
RAILROADS					
	Price	Income		No. Shares	Income
Delaware & Hudson	$11,300	$900	Corn Products Pref	115	$805*
Lehigh Valley	6,200	500	Corn Products Pref	63	441*
N. Y. N. H. & H.	3,900	...	Pittsburgh & W. Va.	153	...
PUBLIC UTILITIES					
	Price	Income		No. Shares	Income
Brooklyn R. T.	$6,200	$600	Am. Car & Foundry	95	$480†
Public Service N. J.	12,500	800	Am. Sugar	111	784
Laclede Gas	9,700	700	Am. Woolen Pref	100	700

*9⅛% accumulated dividends being paid off; investment of proceeds nearly would equalize income.

†4% extra being paid; income this year therefore would be the same.

Exchanging Public Utilities

Some may criticise me for advising any exchange of Public Service of N. J. for American Sugar. Such criticism, however, would show entire ignorance of conditions. As I show, the income from American Sugar would be only $16 less than that from Public Service of N. J. American Sugar has paid regular dividends of 7 per cent. on its common stock from 1901 to date. It paid 6½ per cent. in 1900 and previous to that time had paid all the way from 8 per cent. in 1891 to 22 per cent. in 1893. Public Service Corporation of N. J. on the other hand, went on an 8 per cent. dividend basis only on June 30, 1916. In 1915 it paid 6¼ per cent., previous to which time it paid from 3 per cent. to 6 per cent. Furthermore, it is a holding corporation, whereas American Sugar is an operating company and an analysis of its income accounts and balance sheets will bring out more definite conclusions.

The Laclede Gas Light Company has paid regular dividends of 7 per cent. on its stock from 1911 inclusive. It also paid a 10 per cent. stock dividend in 1911. Previous to that time it had paid dividends of from 3 per cent. in 1898 to 6½ per cent. in 1910. On the other hand American Woolen preferred has paid regular dividends of 7 per cent. per annum from the date of its incorporation in 1899. To be sure the latter is an industrial corporation, the earnings of which have shown a great variation, whereas Laclede Gas is a public utility, the earnings of which have been relatively steady. A comparison of the depreciation accounts of the Laclede Gas Co. and other gas companies operating in important cities of the country indicates, however, that Laclede Gas has not been maintained as well as the others. Certainly it has not deducted relatively as large an amount of its earnings for depreciation as has such companies as the Consolidated Gas Co. of N. Y., Brooklyn Union Gas or Peoples Gas Light & Coke of Chicago. The company undoubtedly has been helped out considerably by its by-product coke plant, which was placed in operation in 1916. Nevertheless the costs of the gas companies have increased so that I am not at all confident that this company can maintain its present dividend.

On the other hand the American Woolen Company as a result of its fine earnings of the last two years has been placed in a very strong position. Furthermore, there is a good possibility that the company will earn well up to 25 per cent. on its preferred stock this year. It has safely passed through four business depressions without recourse to a cut in preferred dividends. It has paid regular dividends for almost twenty years and it is in a better condition to continue them now than it has ever been in the past.

Other exchanges which I suggest at this time are as follows: Pressed Steel Car for Republic Iron & Steel common, Sloss Sheffield for Republic Iron & Steel also and International Agriculture preferred for Virginia Carolina Chemical common.

Who Christened the "Liberty Loan"?

There doubtless will be more or less discussion, academic perhaps, but interesting, as to who was the first to christen the United States' greatest of all bond issues the "Liberty Loan." As far as this publication is informed, THE MAGAZINE OF WALL STREET was the first to put that title on record. In the April 28th issue, in an article by Mr. Philip T. Towne on "War-Time Investments," the following paragraph appeared:

"There will be no question but it is the patriotic duty as well as the privilege of each investor to put at least a part of his funds in this greatest of all issues which might well be entitled the 'Liberty Loan.'"

The article mentioned was prepared about seven days before it appeared in print and Secretary McAdoo's announcement that he had decided to call the new issue the "Liberty Loan" was made about ten days after the article was written.

MONEY--BANKING--BUSINESS

Reform in Foreign Exchange

Another Suggestion as to How the Reform Should Be Accomplished—Now the Opportune Time

By L. RAYMOND WALKER

WHILE Europe is being ravaged by the most fearful war the world has ever seen, the United States of America is slowly but surely becoming the world's financial center. The American dollar is today the standard by which the market value of the currencies of all the nations can be expressed.

The Foreign Exchange market in New York City is the market for foreign currencies, like the New York Stock, Produce, Cotton and Coffee Exchanges are the markets for stocks, grains, cotton and coffee. But while the stock, produce and cotton markets are organizations, through which buyers and sellers effect their transactions, the Foreign Exchange market is merely an expression, covering the Foreign Exchange transactions which take place between the leading banks, bankers, merchants and manufacturers, either through the medium of the foreign exchange broker or directly between the office of the seller and the office of the buyer. In contrast to the Foreign Exchange market existing in New York City, the Foreign Exchange market in Berlin is concentrated at the Berlin Stock Exchange, where the representatives of the banks and bankers, dealing in Foreign Exchange, transact their business directly without the help of the Foreign Exchange broker.

Need For Reform

While it may be open to argument which of the two systems is the better, there can be no doubt about the fact that *our system of quoting Foreign Exchange is hopelessly out of date* and should be replaced by the modern and efficient system prevailing in the leading centers of continental Europe, such as Paris, Berlin, etc. The last issue of this magazine contained an excellent article pointing out the deficiency of our present system. But it suggested that all foreign currencies should be quoted per one hundred dollars, an idea which is fundamentally wrong; it would be just like quoting ⅞ Steel common for $100, instead of 1 Steel common for $114¼; 44½ bushels of wheat for $100, instead of 1 bushel of wheat for $2.25; 500 pounds of cotton for $100, instead of 1 pound cotton for 20 cents. The quotations on the New York Stock, Produce and Cotton Exchanges indicate the price in dollars and cents for 1 share of stock, 1 bushel of wheat and 1 pound of cotton, and the quotations of our Foreign Exchange market should likewise express the price in dollars and cents for the fixed unit of the foreign currencies dealt in. As a matter of fact, the large majority of New York City's Foreign Exchange quotations are on this ideal basis, expressing the price in dollars and cents for every 100 units of the foreign currencies, as the following statistics will show:

Quotations during week ending April 28, 1917 of demand drafts on

Russia	**100 rubles**	**$28.20**
Austria	**100 kronen**	**11.80***
Spain	**100 pesetas**	**21.75**
Holland	**100 guilders**	**40.87½**
Sweden (Norway Denmark)	**100 kroners**	**29.90**
Greece	**100 drachmas**	**20.05**
India	**100 rupees**	**32.25**
Japan	**100 yens**	**50.75**
Argentine	**100 pesos**	**43.00**
Brazil	**100 milreis**	**23.75**

***Last quotation available.**

The New York quotations for the currencies of England, Germany, France, Italy and Switzerland, however, are on a most irrational basis, as the following statistics will show:

Quotations during week ending April 28, 1917 of demand drafts on

England	**1**	**pound sterling**	**$4.76 7/16**
Germany	**400**	**reichsmarks**	**73.00***
France	**5.72**	**francs**	**1.00**
Italy	**6.96**	**lire**	**1.00**
Switzerland	**5.14**	**francs**	**1.00**

***Last quotation available.**

Before the outbreak of the European war, the fluctuations in Foreign Exchange were very slight, and fractions of 1/32 or 1/64 used to be quoted. For example demand Paris would be quoted at 5.18 7/16 minus 1/32 and demand Berlin 95 3/16 plus 1/64, and these quotations certainly do look embarrassing to the average merchant or banker, not very familiar with Foreign Exchange. Besides, after the end of the war, the leading bankers and banks of New York City will certainly do a very large arbitrage business in Foreign Exchange between New York City, the world's financial center, and the important money centers of Europe, and this is another reason why the quotations of the above mentioned five European currencies should be brought to the rational basis of expressing the price in dollars and cents for 100 units of the foreign currency. The above mentioned quotations of sight drafts on the five leading European countries would then read as follows:

England	**100**	**shillings (£5)**	**$23.82**
Germany	**100**	**marks**	**18.25**
France	**100**	**francs**	**17.48**
Italy	**100**	**lire**	**14.37**
Switzerland	**100**	**francs**	**19.45**

How misleading the present system of quoting is, may be best judged from the fact that the average banker will be unable to answer correctly the question: At what discount do lire sell at a price of 7.77, considering the par value of 5.18? Almost invariably the answer will be 50 per cent. The par value of 5.18 gives 100 lire a value of $19.30, while the quotation of 7.77 lire to the dollar gives 100 lire a value of $12.87, which shows conclusively that the lire at 7.77 sells at a discount of 33 per cent. and not at a discount of 50 per cent.

Now the Opportune Time

Now is the opportune time to put New York Foreign Exchange market on an efficient basis by quoting the currencies of England, Germany, France, Italy and Switzerland in dollars and cents for every 100 units of the foreign currency. This reform leaves undisturbed all other quotations, it will make New York City's Foreign Exchange quotations plain to merchant and foreign banker alike, and it will be the best means of strengthening the position of the dollar as the world's financial standard.

THE DEUTSCHLAND'S PIG TIN

The 150 tons of pig tin lying at New London for months, awaiting shipment in the German submarine Deutschland, is now being offered to consumers at prevailing market prices. It has never been found out who consigned this tin to the German agents. It is assumed that the tin was originally purchased in ingot form, was then melted and recast into new ingots, and shipped to New London. This method complied with the British rule forbidding resale of holdings, for the tin was technically consumed when it was melted and recast.—*Wall Street Journal.*

Leading Opinions

About Financial, Investment and Business Conditions

"Changed R. R. Situation"—Ivy Lee

Speaking at St. Louis at the dinner of the Bankers' Club, May 3, Ivy L. Lee delivered a discourse in which he referred to the fact that because of the war the railroads of the United States are being operated as a single transcontinental unit.

—*The Annalist.*

UNCLE SAM: "I DEPEND UPON YOU TO SILENCE THAT BATTERY."

"The whole face of the railroad landscape has changed within the last thirty days. The coming of war has overturned a host of political and economic contradictions.

"A month ago it seemed as if the railroads were moving headlong toward Government ownership, not as the conscious choice of the people but as a by-product of regulation which, while adding to the expenses of railroading, failed to permit revenues to be earned sufficient to pay the increased bills.

"The surplus capital of the world has been on strike against taking further chances in the development of American railroads, for during the past two years it has been practically impossible to float new issues of common stock where investors take their chances, for use in new railroad construction in the United States.

"Now all is changed, for the grim necessities of war have again put common sense and old fashioned economic principles on the throne.

"The railroads have asked for a 15% increase in freight rates, to enable them to take care of the extraordinary increase in expenses which have been forced upon them by existing conditions. The Inter-State Commerce Commission has shown a readiness to cut red tape and to act in accordance with the necessities of the occasion. It has already granted a number of important increases in rates, and the disposition it is showing to accelerate action concerning the matter as a whole is one of the cheering events of the time."

April Financing

Corporate financing in April amounted to $149,800,000, compared with $266,600,000 in March and $191,000,000 in April last year, according to figures compiled by *Dow, Jones & Co.* This makes the total for the first four months of 1917 $892,400,000, which is the largest for that period in the last four years. Total financing for these four months since 1914 compares as follows:

Four months, 1917	$892,400,000
Four months, 1916	804,500,000
Four months, 1915	606,500,000
Four months, 1914	685,000,000

A feature of April's financing is the absence of issues of railroad bonds or stock, the $29,000,000 of railroad financing having been entirely in notes. In fact, barely $63,000,000 of the total financing was in the form of bonds, whereas almost $87,000,000 consisted of notes and stocks.

Taking the four months as a whole, however, over 45% of the entire financing, or $402,000,000, was done through bond issues, while stock financing was the smallest of the three. Condition of the bond market during April was not such as to encourage financing by bonds, the trend of the market having been steadily downward until the last few days of the month, when houses were able to receive bids for issues for which only a week earlier there had been no inquiry.

"Capital Must Adapt"—Perkins

In an address on "The Worker's Fair Share" before the People's Institute at Cooper Union of New York, George W. Perkins, chairman of the Mayor's food supply committee, made clear his belief that all the questions crowding for solution today are thus crowding because of the culmination in our day of the various educational forces that have been at work during the last half century.

It was his judgment, he said, that many of the difficulties that stand in the way of a solution of problems existing between capital and labor are due to the fact that men representing capital do not think deeply enough on the problem to realize the changes that have taken place in the foundation of the question. They cannot see or adapt themselves to the changes that must take place in the superstructure, he explained, and therein lies one of the chief difficulties in arriving at the worker's fair share.

Patten Defends Speculation

Many people throughout the country do not understand the functions of the Board of Trade, and blame speculators for advances in prices, writes James A. Patten in *The Annalist*. The Board of Trade is a great trading center, which enables all people to know what the price of grain really is and maintains prices everywhere upon the basis of values as fixed by the legitimate factors. Speculation is absolutely necessary to the maintenance of a steady market, and therefore is an essential part of the Board of Trade's machinery.

"It would be a serious mistake to close up the Board of Trade, particularly at this time, when everybody is being urged to till every bit of land and consumers are warned against extravagance. Both producers and consumers are benefited by speculative trading, because without it the Board of Trade cannot efficiently help to move and distribute crops at a minimum cost; the margin of profit accruing to handlers of grain between farmers and consumers would also be greatly increased, and there would be more violent fluctuations in price and greater variation in different localities if we were without a recognized public market."

War's Demand For Ships

With the entry of the United States into the European War, this country decided in giving support to the Entente Allies to do so more particularly with respect to furnishing supplies and financial credits than by sending an army immediately to the field of action. This decision was regarded in shipping circles as likely to make much greater demands upon American tonnage than would have been the case had a purely defensive and independent war been planned.

The Journal of Commerce says that, aside from the vessels that would be needed as colliers, supply ships, and for other service

—Copyright, *North American Co.*

HEAVY FIRING.

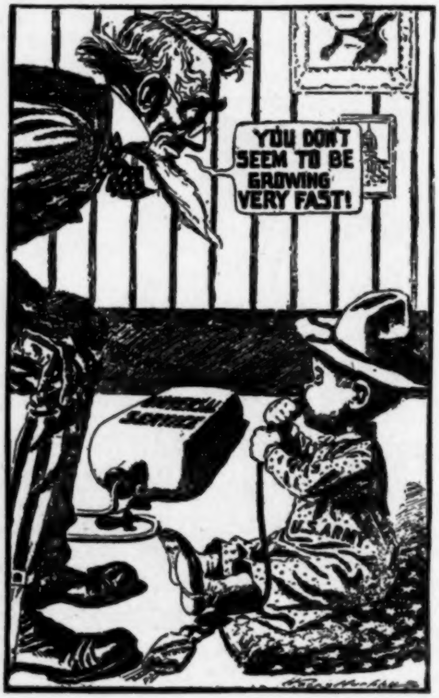
in connection with the Navy, it is recognized "as highly probable that the United States will extend to its merchant shipping a degree of control hardly less than that exercised by Great Britain in conjunction with the other Allied countries." In fact:

"Representatives of the administration have stated that the Government would requisition only such mercantile tonnage as is essential to the needs of the situation. The opinion was expressed that this does not mean that vessels which are permitted to engage in commerce will be entirely free from Government control. On the contrary, as much tonnage as possible would probably be directed into the trade with the Allies and a system of fixed rates governing their operations would be established.

The purpose of this action, it was asserted, would be to insure supplies for the Allies at as small cost as practicable.

War Orders And Steel Profits

Whatever is done is not a matter of large concern for the next few months, writes the Pittsburgh correspondent of *The Evening Post* in discussing the steel situation.



—New York *American*.

TRY THE OTHER BOTTLE UNCLE.

A canvass by one high authority has just shown that there is lying along the Atlantic seaboard an accumulation of steel products for export equivalent to a total of about 1,100,000 tons of steel. This accumulation must be disposed of before any occasion arises to produce steel for the European Allies at a greater rate. Thus far the attitude of the Government has been that it does not desire the steel-makers to relax in the filling of the export orders on books, but rather to accelerate shipments to seaboard, irrespective of the vessel situation.

While prospective increases in the excess-profits tax promise to run into large sums of money, the earnings of steel companies are increasing month by month as older and lower priced steel orders are worked off, for the steel market to date has been a continually advancing one, and even in the past week there have been the important advances of $6 a ton on wire products, $3 a ton on steel bars, and $8 a ton on structural shapes. It would be a very stiff rate of increase in taxation that steel earnings could not keep pace with for many months to come.

"Hope Lies in Democracy"—Root

Elihu Root, newly appointed head of the American commission to Russia, delivered at Washington recently the opening address at the eleventh annual meeting of the Society of International Law, of which he is president.

He declared that in the spread of democracy lay the hope of a warless future, in that international law could not be conserved by or imposed upon autocratic nations. He said in part:

"So long as military autocracy continues, democracy is not safe from attacks, which are certain to come some time, and certain to find it unprepared. The conflict is inevitable and universal; and it is a *l'outrance*. To be safe, democracy must kill its enemy when it can and where it can. The world cannot be half democratic and half autocratic. It must be all democratic or all Prussian.

"The democracies of the world are gathered about the last stronghold of autocracy and engaged in the conflict thrust upon them by dynastic policy.

Trading in April

Transactions in stocks on the New York Stock Exchange in April aggregated 14,279,320 shares, a decrease of 4,140,988 shares from March, but an increase of 1,744,894 shares over April, 1916. The following tables give total transactions for April and four months:

	April		Four months
1917	14,279,320	1917	62,749,534
1916	12,534,426	1916	55,812,608
1915	21,045,532	1915	38,379,003
1914	7,138,354	1914	29,339,136
1913	8,459,418	1913	31,018,380
1912	15,986,827	1912	48,535,722
1911	5,043,781	1911	32,519,348
1910	14,070,736	1910	69,173,783
1909	19,967,388	1909	62,233,654
1908	11,610,595	1908	54,038,514

Dealings in all classes of bonds aggregated $96,506,500, an increase of $21,854,000 over

March and of $18,228,250 over April, 1916. Bond dealings for last month and the year to date compare as follows with previous similar periods:

	April		Four months
1917	$96,506,500	1917	$374,830,800
1916	78,278,250	1916	357,987,450
1915	110,099,500	1915	273,138,500
1914	55,767,500	1914	275,120,500
1913	55,513,500	1913	198,216,000
1912	63,496,000	1912	297,083,500
1911	55,565,500	1911	282,482,500
1910	51,078,500	1910	277,652,800
1909	138,910,700	1909	473,299,200
1908	79,780,500	1908	289,304,020

Limitation of R. R. Dividends

The Interstate Commerce Commission, in a statement to the railroads outlining its inquiries concerning the proposed increase of 15 per cent. in rates, said:

"Carriers should indicate the extent to which they are willing to limit the rate of dividends to be paid during the continuance of the war."

The commission inquires if an emergency in transportation exists requiring the proposed relief measure and questions each premise on which the proposal is based, as well as the propriety of the remedy set forward. It is particularly asked if other causes than the war and the Adamson wage act caused the situation.

"Farmers Must Win War"—Pinchot

Gifford Pinchot writes to the *Boston News Bureau:*

"In this great time, when every citizen must do his part, the President has made his chief appeal to the men who live on the land. The safety of our country just now is in the hands of our farmers.

"The two great weapons in this war are arms and starvation. The war against German arms will be won or lost in France—the war against starvation will be won or lost in America. The Kaiser cannot whip the French and English armies and the English navy while England has food.

"If the submarines win the first item in the Kaiser's terms of peace will be the English fleet. With the English fleet in his possession, the Kaiser will be master of the world."

Decreasing R. R. Earnings

What is happening to railway earnings as a result of the enormous increase in expenses of all kinds is clearly shown by the complete returns of revenues and expenses for February, just issued by the Bureau of Railway Economics and the Interstate Commerce Commission, says the *Railway Age Gazette.*

While total operating revenue, amounting to $1,147 per mile, showed an increase of 0.6 per cent. over February, 1916, the operating expenses per mile, $899, were greater by 12.3 per cent.; the net operating revenue per mile, $248, showed a decrease of 27 per cent.; taxes, $60 per mile, rose 10.9 per cent.; and the net operating income per mile, $188, showed a decrease of 34.1 per cent. That the tendency which these figures reveal has not yet had its full effect is shown by the fact that the February figures do not in many cases include the increased prices of fuel, which the railways will have to pay under the new contracts being made for the coming year, and the increased wages brought about directly and indirectly by the Adamson law.

—*Financial America.*

A WELCOME CALLER.

Shipping Demands Steel

The greatest pressure for steel is for shipbuilding throughout the world to replace the lost tonnage through the havoc created by the German submarine campaign, writes the *Wall Street Journal.*

It is estimated that several million tons of steel, more than is now under contract could be utilized this year in foreign and domestic yards. Pressure is being brought to bear at Washington by the foreign envoys which may result in modifying present plans that call for an unusually large tonnage of steel to be used in the manufacture of foreign railroad equipment. The committee of the steel mills that met to distribute orders for steel required by the United States Government has virtually completed its work although some details remain to be adjusted and it is now expected that attention of the mills will be concentrated upon providing the steel needed for the building of more merchant ships. Effort will also be made to provide increased shipbuilding facilities in various parts of the country.

Sound Financial Views

Moore, Leonard & Lynch.—Never before have the industrial companies, as a whole, earned as much on their market price as they are now earning, never before have they been in as strong financial condition. The present market price reflects the general opinion that these earnings are merely temporary and that very soon much less favorable conditions will have to be faced. It is obvious that if business keeps as good as it is now for say another year, these stocks should go higher.

Sheldon, Morgan & Co.—During the period of the war, taxes will be necessarily high, but we do not believe confiscatory. At the same time, it must be borne in mind that these taxes may be readjusted after the war; and while the Government is in the position of having to give enormous orders to industrial corporations, it, of course, is the patriotic duty of corporations to pay the Government from their profits taxes to enable the Government to successfully prosecute the war. We do not believe either a decline or a bull market could take place until the final terms of the U. S. Government bond issue have been announced, and until the loan has been a success. We believe, however, that the loan will be a great success, and after this is assured security prices should improve.

National City Bank.—Economy in consumption, if carried to an extreme as a result of patriotic efforts to aid in the prosecution of the war, may result in a disruption of trade at a time when the business activities of the country should be conducted with as little confusion as possible, according to an analysis of the war situation in the National City Bank circular for May. What is needed, it is pointed out, is not hoarding, but a gradual and reasonable adaptation of private policies to public needs.

Keane, Zayas & Potts.—Steel common is well worth the price at which it is selling today, and so are many other shares in the list; but that fact contains no promise that they will continue to sell at these prices. Traders have put these prices up—for profit; they must hold them up or lose that profit and perhaps a good deal more. If they hold them up they will have to take the stocks which Great Britain is now preparing to sell in this market—another lot of the shares mobilized under the call made at the end of March last. With the war financing that is to be done for the Government now impending, bankers cannot afford to take and carry these stocks so they will not come into the market.

Mechanics & Metals National Bank.—Broadly speaking, there are four methods of paying for war—loans, taxes, conscription of labor and property, and the issue of paper currency. All these methods have been used abroad. All have their merits. All have their limitations. Loans are limited by the credit of a nation. Taxes are limited by the taxable capacity. Wealth conscription is limited by the degree of liberty possessed by a people and their rejection of the principle of servitude to state omnipotence. Paper money issues are limited by the soundness of the economic doctrine of a people and the ability of a nation to retain a gold basis against the alluring method of printing paper money for the payment of contractors and soldiers alike.

J. S. Bache & Co.—The Government's $2,000,000,000 War Loan has been assured of the greatest success from the time of its first inception. It is the highest class bond in the world and is sure of the broadest market than any security ever had.

Efforts should be made to make these facts known to the smallest investors and to economical wage-earners everywhere.

The temporary effect of preparation to pay for it is shown in the market by decline of high-class investment and other railroad stocks. This decline has been aided by some foreign selling and materially added to by the unceasing effort of the bears. It is no time to sell good stocks held for investment and not for speculation. The wave will pass and real value will assert itself in time in the price list.

Hayden, Stone & Co.—We cannot but think that there is a definite purpose in deliberately laying emphasis on the seriousness of the whole situation. The purpose, if such there be, is entirely proper. It is a tremendous task to arouse this nation to a realization of what war really means.

Without seeking to minimize the doubts and dangers of the situation, and realizing fully that conditions present are by no means propitious to any great bull movement, we, nevertheless, feel that the advantage in the long run will be with the holder of stocks.

The Money Prospect

THE advancing tendency in money rates already in evidence is the natural and unavoidable result of the tremendous demand now being made by the Government on the accumulated capital of the country. Fortunately we are in an exceptionally strong position, because of the two years of very profitable business just experienced. Our bank reserves are large, and through the Federal Reserve Law they are more concentrated and more efficiently used than ever before.

We also have the elasticity created by Federal note issues based upon commercial paper to fall back upon. As yet but a trifling amount of these notes have been incorporated into our currency, because the low plane of money rates has prevented them from being profitable to the banks. Within the past week or two, however, an increase in the amount of notes outstanding based on commercial paper has been observable.

These note issues will not grow very fast until there is a prospect of a fairly permanent 5 per cent. rate for money at New York. At present the rate here for prime commercial paper is 4½ to 4¾ per cent. That means, of course, that loans on paper issued by companies having a rating not quite so high, are moving at 5 per cent. or more. Rates in other parts of the country are usually somewhat higher than in New York. We are, therefore, approaching the plane of money rates where the Federal notes will begin to come into play.

The general trend of money rates has, in fact, been slowly upward for over a year. Average monthly rates since January, 1916, have been as follows:

	Call Loans	Commer. Paper
January, 1916	1⅞	3⅛
February	1¾	3
March	2	3⅛
April	2⅛	3¼
May	2⅛	3¼
June	2⅞	3⅝
July	3⅛	4⅛
August	2⅝	3¾
September	2¾	3⅝
October	2⅝	3⅝
November	2⅝	3½
December	4½	4
January, 1917	2	3½
February	2½	4⅛
March	2¼	4½
April	2⅝	4½

It will be seen that, except for slight seasonal influences, the tendency has been steadily upward, but the change has been so slow that it has attracted little attention.

With a $5,000,000,000 bond issue in prospect—of which the first $2,000,000,000 is now being offered—and with an additional $2,000,000,000 of temporary certificates authorized, some part of which is likely to be outstanding most of the time, a continuance of this upward swing in the money rate is practically a certainty.

The relation of deposits to loans indicates the same tendency. In September, 1915, the deposits of New York City National and State Banks reached an absolute high water mark at 114 per cent. of loans. From that point there was a steady decline to about 101 per cent. in July, 1916—the month, it will be remembered, in which a slight flurry in New York money rates occurred—then a rally to 109 per cent. in February, 1917, followed by a decline to 103 per cent. at the present time.

An excess of deposits over loans means a supply of liquid capital for investment. The decline of deposits from 109 per cent. of loans last February to 103 per cent. in May means that during that time capital has been "soaked up" into foreign bonds and domestic bonds, stocks and commercial paper, faster than it has accumulated. The supply is smaller in proportion to the demand, hence higher money rates.

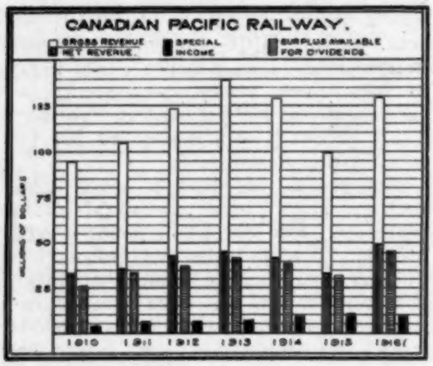
Advancing rates must of course, have their effect on the values of investment stocks and bonds. On speculation the effect is much less but is appreciable over long periods of time. Present money rates, of course, are not high enough to have any measurable dampening effect on speculators, especially at a time when earnings of 25 to 50 per cent. annually on industrial stocks have become so common that they are almost accepted as the normal state of things.

Canadian Pacific

Canada's Premier Investment—Its Splendid Earning Record and Great Assets—Position of Stock

By FRED L. KURR

CANADIAN PACIFIC has been well termed Canada's premier investment. Its record has truly been a remarkable one, and the progressive development of the company's lines has been the most important factor in the growth of industrial and agricultural activity in Canada.



Canadian Pacific was chartered February 17, 1881, under the laws of the Dominion of Canada and received a cash subsidy from the Government for construction purposes and a land grant of 26,710,400 acres. Of this acreage 6,793,014 were disposed of to the Government in 1886, leaving 19,917,386.

A striking example of how revenue increased, is a comparison of the earnings of 1909 with those of 1913, the latter year is the high peak in earnings. Total operating revenue in 1909 was $76,313,321 and in 1913 it was $139,395,700, an increase in four years of 83%. In 1914, 1915 and 1916 gross earnings did not maintain the record of 1913, but the fiscal year ended June 30, 1917, will undoubtedly show the greatest gross and net earnings in the history of the company.

"Special Income"

The first point, perhaps, that comes to one's attention in studying Canadian Pacific's income account, is the importance of its "special income." For the year ended June 30, 1916, for example, this item amounted to $9,940,955, or over one-fourth of the total net income available for dividends. This income comes from a variety of sources, the most important of which is the company's controlled steamship lines and operated hotels. The fleet consists of 77 ocean, lake and river steamers, of which 43 are in ocean service. Canadian Pacific operates its own express, telegraph and news service, also its own elevators and parlor and sleeping car service.

This "special income" item has increased greatly in the past several years as a glance at the accompanying graphic will show. For the year ended June 30, 1916, "special income" was equal to 3.8% on the common or ordinary stock as it is termed. In other words, considerably over one-third of the common dividend is earned from this source. The principal items in this account are as follows:

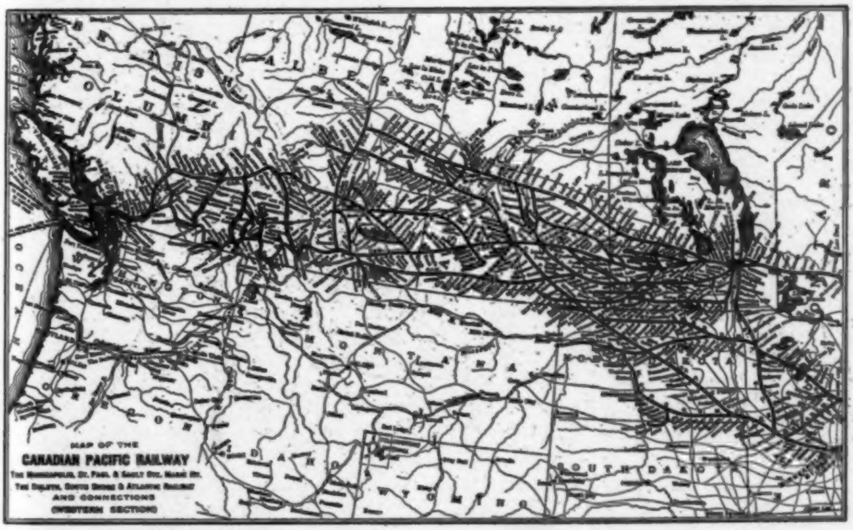
SPECIAL INCOME ACCOUNT, YEAR ENDED JUNE 30, 1916.

Interest on Deposits and Loans....	$1,127,497
Interest on Bonds..................	638,751
Dividends on "Soo Line" Stock....	1,335,971
Miscellaneous Dividends	481,288
*Steamships and Hotels............	3,583,292
Coal and Other Mines.............	557,843
Telegraph, Mail, Etc...............	2,216,315
Total	$19,940,955

*After deducting very liberal depreciation and reserves for taxes.

Canadian Pacific has still another source of income, its land sales. This income is treated seperately and does not appear in the regular income account of the company. During the year ended June 30, 1916, 390,715 acres of agricultural land were sold for $6,126,108, an average of $15.68 an acre. After deducting sale and irrigation expenses, there was a balance of $3,106,383. As the company still has left 7,870,056 acres from its land grants, it can be seen that income from land sales should continue for many years to come. At the rate the land was disposed of in 1916 it would take 20 years to use up all the company's acreage.

The general balance sheet of Canadian Pacific is truly a remarkable document. Profit and loss surplus from operating revenue only, totaled $100,604,597 June 30, 1916, and profit and loss surplus in other assets was $121,215,174. The balance sheet gives a book value to the ordinary stock of about $200 a share. Canadian Pacific has always been considered conservative in its valuation of assets so that it is quite likely that the common stock has assets actually worth $200 a share behind it.



Dividends

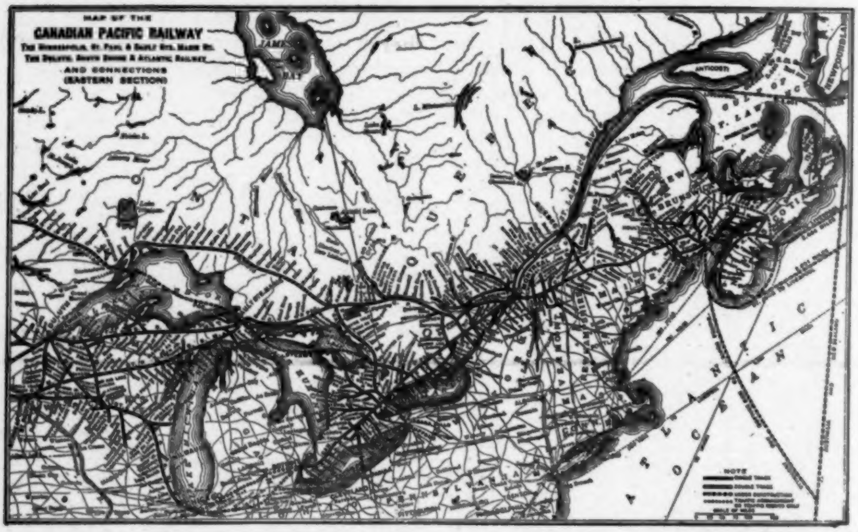
While substantial dividends have been paid ever since 1882, the company's policy has been conservative and earnings have nearly always been considerably over dividend payments. For example, 10% per annum was paid in dividends in the years 1912 to 1916 inclusive, whereas the earnings were as follows: 1916, 17.53%; 1915, 11.27%; 1914, 13.63%; 1913, 19.56%; 1912, 19.62%. In 1912 there was only $180,000,000 common, which was increased to $200,000,000 in 1913 and further increased to $260,000,000 in 1914. In these five years $71,000,000 approximately was put back into the property from earnings; in addition to this several millions of assets in lands were converted into cash.

The financial condition of Canadian Pacific June 30, 1916, was stronger than ever before in its history. Cash stood at the imposing figure of $41,581,681 and net working capital was $48,422,752.

Capitalization of the company at that date was as follows: 6% debenture notes $52,000,000, mortgage bonds $3,650,000, debenture stock $176,284,882, preferred stock $80,681,921, common stock $260,000,000.

Canadian Pacific's Future

Canadian Pacific's past record has been one that should promote confidence in its securities. Let us now see what prospects the future holds forth. Earnings so far in the current fiscal year are ahead in both gross and net. A statement covering the six months ended December 31, 1916, showed earnings available for dividends, including earnings from steamship lines, etc., of $25,742,200. This compares with $46,812,390 for the full year ended June 30, 1916. This would indicate, therefore, that Canadian Pacific will earn this year more than the 17.53% earned in the 1916 fiscal year.



Of course, there is the question of special war taxation to consider. The present Canadian war tax provides that 25% of the income in excess of 7% on the capital goes to the state. If 18% is earned in 1917, therefore, 2.75% of this will go for taxes. It is understood, however, that Canadian Pacific will not have to pay taxes as heavy as this. In view of their having given up certain concessions granted by the Dominion they are to be relieved of a certain portion of this taxation. The interests concerned, however, refuse to give out any exact data on this matter. Granting the maximum taxation, however, Canadian Pacific should show at least 15% earned on the common stock for the year ended June 30, 1917.

At present prices of around 156 the stock looks attractive as an investment for several very good reasons. In the first place the dividend is now being earned with a very substantial margin to spare and in the past several years the company has always earned the 10% dividend easily. Another assurance of the continuance of the 10% rate is the unusually strong financial condition of the company. As a reasonably safe 10% dividend payer the yield at present prices, 6.37%, is attractive.

The future possibilities of Canadian Pacific should be the main reason for purchasing the stock now. It runs through a wonderful territory, a territory whose development has only begun. The future development of this territory should be rapid, as some of it contains as fertile soil as anywhere in the United States. Canadian Pacific will grow with the country. It is a railway system that is only beginning to realize its possibilities.

Outlook for the Coppers

Are Bearish Views Warranted?—Large Earnings and Strong Position of Copper Companies—What 25c. or 18c. Metal Would Mean

By WALTER McNAUGHTON

CONCURRENT with the unsettlement in copper prices during the last two weeks, there has come about a revision of the estimates made early in the current year, as to the probable average price for copper in 1917. With spot copper selling around 37 cents, with third-quarter metal going for 32½ to 33½ cents, it did not seem unreasonable to many to make a guess of around 30 cents as the average for the year. Reactions in price, from time to time, were, of course, expected, but nothing like the reaction which has just occurred and which as yet cannot be regarded as a process that is finished.

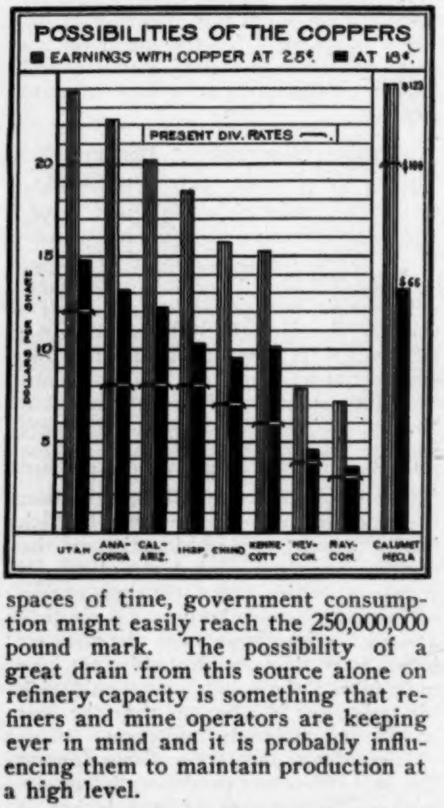
The present copper situation is full of material out of which many conjectures might be manufactured. Just now comfortable amounts of the metal are being supplied through the resale market and by the smaller producers, for early delivery and at prices ranging from 25 cents to 26½ cents. This seemingly argues for an easy condition or state of supply and demand, but it is not being interpreted as such in some directions. Some copper men are apparently quite dubious as to what is going to happen a little later. Current buying of the metal is light, they admit, but they add that a consumption of undoubtedly large volume is going right on and that perhaps before the turn of another quarter, that consumption may be found to have again taken the measure of the country's refinery capacity.

It is being argued in some quarters that the entrance of the United States into the war will mean a virtual cessation of copper consumption on domestic account for the period of the war. In other words, this country's participation in the war is regarded as a development the direct effect of which will be to restrict the use of copper by causing electrical and other construction work to be sidetracked. The unsettlement of the past fortnight is pointed to as proof by those who make this contention. And they argue further that if the decline in domestic demand for copper is not offset by an increase in demand for the metal on account of munition manufactures, a still further decline in price will be brought about.

Further Government Demand

It is a difficult if not impossible matter to make this argument dovetail with actual and probable conditions. With military operations on as large a scale as at any stage of the war, with the preparations that are underway by the United States in connection with its own program for the war's energetic prosecution and with the huge amounts of copper that will be required by the builders of the huge tonnage of wooden ships that is presently to ride the North Atlantic with food supplies for the Allies, it is next to impossible to see anything bearish in the present copper situation or the outlook for the remainder of 1917. Of course, a sudden and early termination of the war would likely see a melting away of prices from even the present levels, but there is probably not one man in ten thousand who would risk his judgment in a wager that the war would end suddenly and soon.

Just now, speculative discussion on the part of copper producers is centering on the amount of metal that is likely to be requisitioned by the Government. The copper trade generally has received nothing definite as yet regarding the probale plans of the army and navy departments. That the roughly 45,000,000 pounds of metal contracted for by Washington just before the war, would be used up in the short space of a month if the manufacture of shells and cartridges is undertaken to completely equip an expeditionary force in a short time as is now being discussed, is pretty generally agreed. As it is, with such an amount used up, under normal headway, the government, it is figured, would easily require a round 100,000,000 more pounds of copper metal during the balance of 1917. Under pressure of having to furnish shells and cartridges in great quantities and in short



spaces of time, government consumption might easily reach the 250,000,000 pound mark. The possibility of a great drain from this source alone on refinery capacity is something that refiners and mine operators are keeping ever in mind and it is probably influencing them to maintain production at a high level.

Government to Pay 25 Cents?

Next to the probable amount of copper that the Allies and the home government are likely to call for, the question of what price will be paid for the metal is of most interest. Rumors have been in circulation the last few days that Great Britain and France will appear in the American market presently as negotiators for a further large supply of copper for delivery during the last half of 1917. Deliveries of the metal under the contract for 448,000,000 pounds, which was closed last fall, will probably be made in full by the end of June notwithstanding the increased submarine menace. Just what price will be made on any further large quantities of copper to these two nations is purely a matter of conjecture at this time, but the price on the tongues of informed persons is in the neighborhood of 25 cents.

Further, it is rumored, that on the next quantity of copper to be taken by the United States, the latter will voluntarily pay a price in the neighborhood of 25 cents a pound. If such a price is paid, it is said, the action may be taken as a foregone conclusion that the government is satisfied that necessary production cannot be maintained at prices much lower. It may also be interpreted as meaning that, since the Allies pay the same price, the United States Government has pooled its requirements of this metal and other metals with those of the Allies, a plan which, the *Iron Age* suggests, may be under way now. Most of the large producers of copper in the country are able to turn out copper at a price somewhere between 7½ cents and 11 cents a pound. There are, however, a sizable number of smaller producers whose production costs run as high as 18 to 22 cents a pound.

The recent reaction in prices for copper, of course, has caused some distress among the little producers, who, at 25 cents for the metal, would not stand to make more than a few cents a pound. Such a price, in fact, spells heavy losses for some of them who have opened up low grade ore mines at considerable outlays of money for necessary equipment. In many cases, doubtless, these expenditures have not been amortized. Quite in contrast to these, are the larger companies which are more or less comfortably intrenched behind good-sized surpluses and which are guarding those surpluses against the attacks of stockholders with strong appetites for extra dividends.

1917 Average Price Indications

From all present indications, the average price for copper in 1917 will be about on a par with that of 1916, which was somewhere between 26½ and 27 cents a pound. If there is any change from this, it will most likely be fractional and up, rather than down. In an accompanying graphic, there is shown the position of nine leading copper producing companies with respect to earnings on 25-cent and 18-cent copper in relation to their regular dividend rates as now established. Twenty-five cents may be regarded as a most conservative estimate of the likely average price for copper this year, while 18 cents may be regarded as safely marking the lowest level the average price is likely to reach, barring an unforeseen sudden cessation of hostilities abroad.

The Situation Summed Up

With military activity continuing on a large scale, with no signs of electrical construction work in this country being held up because of this country's entrance into the war, with copper in bigger demand than ever by the shipbuilders who have contracted to float more than a thousand wooden food ships whose bottoms must be protected by copper, beginning this fall, and with the probability that shell and cartridge manufacture will be speeded up presently in order to completely supply and keep supplied a United States expeditionary force to France, it is extremely difficult to assume a bearish attitude with regard to copper for the balance of 1917.

It is true that there has been an easing up—a breathing spell—in demand for the metal and that a price reaction of between 8 and 9 cents a pound has been recently seen, but may not it be that the recession in price was due in greater part to the fact that Great Britain and France have not come into the market for their second half-year supply of copper as early as it was predicted last December they would? With every prospect just now that the war will be protracted until the coming winter; with matters favoring, so far as can be judged now, a resumption of active operations in the Spring of 1918; and, with the last of the 1916 contract for 448,000,000 pounds going forward to the Allies next month, it is virtually a foregone conclusion that Great Britain and France will shortly be in the market again for another big supply of the metal. It is now rumored that negotiations are already underway. Grant that these nations will next contract for only 50 per cent of the amount taken last fall, an order for, say, 250,000,000 pounds of copper for abroad, followed, as it is almost certain to be, by a further commitment of the United States Government, would again put such a temporary strain on the production and refining capacity of the country that it might force prices back to the level they receded from in the last fortnight.

ESSENTIAL STATISTICS OF NINE LEADING COPPER PRODUCERS

	Est. Aver. Cost per Lb.	Est. 1917 Production Pounds	Est. Cost of Production	Est. Profit on 20-Ct. Copper	Est. Prof. on 25-Ct. Cop.
Anaconda	10 Cts.	353,000,000	$35,300,000	$35,300,000	$52,950,000
Calumet & Hecla..	10 "	83,000,000	8,300,000	8,300,000	12,450,000
Calumet & Arizona	8 "	77,000,000	6,160,000	9,040,000	13,090,000
Chino	8 "	82,000,000	6,560,000	9,840,000	13,940,000
Inspiration	8½ "	134,000,000	11,390,000	15,410,000	22,110,000
Kennecott	8 "	253,000,000	20,240,000	30,660,000	43,010,000
Nevada Consol. ...	9 "	99,000,000	8,500,000	8,500,000	12,750,000
Ray Consol.	10 "	85,000,000	8,910,000	9,801,000	15,840,000
Utah	7 "	216,000,000	15,120,000	28,080,000	38,880,000

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Market commitments should not be made without further corroboration.—*Editor*.

RAILROADS

Atchison, Topeka & Santa Fe.—Placed an order with the American Car & Foundry Co. for 800 refrigerator cars at a cost of approximately $1,000,000.

Atlanta, Birmingham & Atlantic.—Gross earnings for March were $342,295, an increase of $70,836 over March, 1916, the largest gain for many months.

Baltimore & Ohio.—March gross shows $9,692,766, against $9,269,711 in 1916. Net is $1,468,807, against $2,187,544 last year. The large increase in operating expenses and consequent decrease in net is due mostly to the adjustment of the wages of trainmen to meet the eight-hour day and back pay due them under this law from Jan. 1, 1917.

Bangor & Aroostook.—Report year ended Dec. 31, 1916, shows: Operating revenue, $4,013,408; gross income, $1,749,296; net income, $496,102; surplus after dividends, $392,554. The 1916 net income of $496,102 is equivalent to $14.38 a share earned on 34,486 shares of capital stock, as compared with $7.16 a share in 1915.

Buffalo, Rochester & Pittsburgh.—March gross shows $1,143,108, against $999,126 in 1916. A net after taxes of $183,717, against $244,518, and a surplus after charges of $120,022, against $170,837 last year.

Central R. R. of N. J.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $11,546,557. The 1916 surplus after charges of $5,897,894 is equivalent to $21.49 a share earned on 274,368 shares of capital stock, compared with $18.98 a share earned in 1915.

Chesapeake & Ohio.—Secretary of the United States Navy Daniels chose the site for the new Government armor plant at Charleston, W. Va., between this company's railroad and the Kanawha River.

Chicago & Alton.—Granted dispatchers, yardmasters and traveling engineers an increase of $10 to $25 a month in wages.

Chicago, Milwaukee & St. Paul.—The I. C. C. suspended until Aug. 31, tariffs which name increased switching charges at Minneapolis and St. Paul on carload freight switched between industries on the lines of the Chic., Mil. & St. Paul and the Minn. & St. Louis railroads. The proposed charge, except on inbound grain, is 1 cent per 100 pounds, subject to a carload minimum weight of 60,000 pounds. The present charge varies from $1.50 to $3 per car.

Cincinnati Northern.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $350,308, compared with $109,028 Dec. 31, 1915. The 1916 surplus after charges of $358,622 is equivalent to $11.95 a share earned on 30,000 shares of capital stock, compared with $6.35 a share earned in 1915.

Cleveland, Cincinnati, Chicago & St. Louis.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $6,378,039, compared with $144,506 Dec. 31, 1915. The 1916 surplus after charges of $7,552,736 is equivalent to $14.98 a share earned on 470,563 shares of common stock, after allowing for full dividend requirements of 5% on the preferred stock, compared with $6.11 a share earned in 1915.

Delaware & Hudson.—Notified the N. Y. Second Dist. P. S. Comm. that it did not, for the present, desire to issue the $4,000,000 bonds as authorized. W. H. Williams, of the company, asked the commission to set no price for the sale of the bonds. When conditions have changed the company will ask the commission to fix the price.

Erie.—Directors at their scheduled monthly meeting took no action on the resolution adopted by stockholders at their annual meeting recommending that dividends be resumed on the preferred stock.

Lake Erie & Western.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $1,497,659, compared with $11,569 Dec. 31, 1915. The company's 1916 surplus after fixed charges of $1,519,967 is equivalent to $6.83 a share earned on 118,400 shares of common stock, after allowing for 6% dividends on the preferred stock.

Long Island.—Filed notice at Albany, N. Y., that it had increased its capital from $12,000,000 to $40,000,000.

Louisville & Nashville.—Has let a contract for an extension of the Clover Fork branch of the Kentucky & Virginia R. R., from Kilday to Seagrave Creek, including a mine spur up Seagrave Creek, a total of about 8½ miles.

Michigan Central.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $23,314,516, compared with $18,135,574 Dec. 31, 1915. The 1916 surplus after fixed charges of $6,837,436 is equivalent to $36.48 a share earned on 187,380 shares of capital stock, compared with $15.62 a share earned in 1915.

New York, New Haven & Hartford.—Report, year ended Dec. 31, 1916, the company having changed its fiscal year to the calendar, shows income account as follows: Gross operating revenue, $80,432,167; net operating income, $23,049,037; surplus after charges, $5,554,977. The 1916 net income of $5,554,977 is equivalent to $3.53 a share earned on 1,571,199 shares of capital stock, compared with $2.96 a share earned in 1915.

New York Central.—Report, year ended Dec. 31, 1916, shows operating revenues of $201,585,000, an increase of $33,672,000 over 1915. Although expenses increased by $20,-344,000, the net revenue from railway operations amounted to $71,846,000, an increase of $13,328,000 compared with the figures for the previous year. The gross income aggregated nearly $86,000,000, an increase of more than $19,000,000 compared with 1915. Among the interesting features of the report is the setting aside from net income $2,500,000 for equipment depreciation account, after the payment of $12,466,611 in dividends, leaving a surplus of $30,692,606. This is more than double the surplus of the previous year, when nothing was set aside for depreciation of equipment. The report also shows that the income derived from dividends from subsidiary companies amounted to $11,099,-697, an increase of more than $4,000,000 compared with 1915. Balance sheet, as of Dec. 31, 1916, shows a profit and loss corporate surplus of $65,642,319, compared with $37,-550,480 Dec. 31, 1915. The 1916 net income of $45,659,217 is equal to $18.28 a share earned on 2,495,905 shares of capital stock, compared with $11.10 a share earned in 1915.

Norfolk Southern.—Stockholders authorized an issue of $1,000,000 three-year 6% notes, $826,000 to be spent on equipment and $174,000 to retire Norfolk Ry. and Southport R. R. bonds.

Pennsylvania.—Temporary certificates for general mortgage 4½% series A bonds, due 1965, were admitted to the list by the N. Y. Stock Exchange.

Pere Marquette.—Has listed first mortgage 5% bonds, Series "A," due July 1, 1956; its temporary first mortgage 4% bonds, Series "B," due July 1, 1956; and its temporary voting trust certificates for common, preferred and prior preference stocks on the N. Y. Stock Exchange.

Pittsburgh & Lake Erie.—Balance sheet, as of December 31, 1916, shows a profit and loss surplus of $23,009,663, compared with $23,829,817 December 31, 1915. The 1916 surplus after charges of $10,121,348 is equivalent to $14.06 a share earned on 719,712 shares of capital stock, after providing $1,500,000 for depreciation, as compared with $12.61 a share earned on 599,760 shares in 1915.

St. Louis, Rocky Mountain & Pacific.—March gross shows $282,609 as against $201,-679 in 1916. A net after taxes of $96,048 against $48,768, and a surplus after charges of $75,210 against $26,343 last year.

Southern Pacific.—Report for 1916, issued under the I. C. C.'s new order to make reports for the calendar year, instead of for the 12 months ending June 30, shows $12.63 a share earned for stock, against $10 in the calendar year 1915, with the largest gross revenues in the history of the company, $163,427,423, exceeding the previous calendar year by $20,959,-517, or 14.71%, and the year ended June 30, 1916, by $10,733,194. Balance sheet, as of December 31, 1916, shows a profit and loss surplus of $210,276,762, compared with $192,133,-630 December 31, 1915.

Texas & Pacific.—George J. Gould resigned as president and chairman of this company, now in receivership under the direction of Kuhn, Loeb & Co. and Blair & Co. Resignation from the Texas & Pacific severs Mr. Gould's connection as an officer from the last of the so-called group of Gould railroads. In the last four years he retired from the presidency of the Missouri Pacific, the Denver & Rio Grande, and the Western Pacific.

Wisconsin Central.—Report, year ended December 31, 1916, shows a surplus amounting to $2,512,463 after deducting operating expenses and charges. Allowing for dividends on the preferred stock, surplus is equivalent to $12.78 a share for the 161,196 shares of common stock. Gross earnings were $12,895,764; operating expenses, $7,183,-447; net earnings, $5,712,317; other income, $59,334; total income, $5,771,651; charges, $3,259,188.

INDUSTRIALS

Allis-Chalmers.—Net earnings during the quarter to March 31 were $900,672, or substantially at the rate of $3,600,000 per annum, compared with $3,165,000 in 1916. In terms of the $16,500,000 pfd. Allis-Chalmers in the first quarter of 1917 earned at the rate of 21.2%, against 19.1% in 1916. The company has unfilled orders for $16,000,874, which is nearly $3,000,000 more than the total of unfinished business at the end of 1916.

American Hide & Leather.—There was a precipitate drop in the March quarter to profits slightly less than 33% as large. The balance for the pfd. in the quarter just expired was 2.58%, or $335,954.

American Ice.—Made application to the N. Y. Stock Exchange to list $15,000,000 of its 6% non-cumulative pfd. stock, and $7,-500,000 of its common stock.

American Locomotive.—During April, 1917, took orders for 175 engines.

American Smelting & Refining.—Sent out a circular to the holders of the 6% Series

"A" accumulative pfd. stock, which embraces a plan for the exchange of "A" stock for an equal par amount of first mortgage 5% bonds of the Refining company, plus a cash payment of $7.50 a share. This company is co-operating with Kuhn, Loeb & Co. in carrying out the plan.

American Steel Foundries.—In its March quarter produced a balance of profits equal to nearly 12% on its $18,184,000 stock. Profits for the quarter of 12% compare with actual net for the shares in all of 1916 of 23.2%, so that if the full year were to do as well as the March quarter, share earnings in 1917 would more than double the previous year.

American Tobacco.—Experts figured that the excess profit tax on the 8% basis would cost the company $118,000 in 1917. This is equal to only one-fourth of 1% on the $40,242,400 common stock outstanding. On the same basis the tax would cost the United Cigar Stores Co. only $50,000, or less than one-fifth of 1 per cent. on the $27,000,000 common.

American Woolen.—Has increased wages of employees of all its mills. The advance in no case is less than 5%.

Baldwin Locomotive.—Received orders for seven Santa Fe type locomotives for the Chicago & Eastern Illinois R. R. and four different types for small concerns. Company also received the bulk of the large locomotive orders recently placed in the United States by the Russian Government. The orders to be filled by the Baldwin company on this contract aggregate $11,000,000. During April, 1917, took orders for 142 engines, including 113 for the Russian Government, 53 of which were narrow gauge.

Burns Bros.—Report year ended March 31, 1917, shows 3,009,632 tons of coal sold and gross receipts $15,235,909. In the preceding year the sales were approximately 325,000 tons less. Coal during the year cost the company $11,670,830, leaving a profit before operating expenses had been accounted for amounting to $3,565,079. This was reduced to $921,373, equal to slightly more than 30½ cents per ton, after expenses had been paid. The unappropriated surplus at the end of the year was $1,470,734. Net profit of $1,289,784 for the year ended March 31, 1917, after allowing for full dividend requirements on the preferred stock, is equivalent to $21.23 a share earned on 55,000 shares of common stock outstanding.

Central Leather.—Balance sheet, as of March 31, 1917, shows a profit and loss surplus of $25,639,297, compared with $12,075,133 March 31, 1916.

Colorado Fuel & Iron.—Report, quarter ended March 31, 1917, shows: Gross receipts, $10,832,211; net earnings, $2,361,123; surplus after interest, taxes, etc., $1,726,116.

Corn Products Refining.—Net profits for the first three months of 1917 totaled $2,450,038 after all charges, including preferred dividend of $521,970. Net profits are running at the annual rate of $9,800,000, compared with the 1916 net of $6,083,746. The surplus for the first quarter of $2,450,038 is equal to $3.85 a share on the common stock, after deducting the pfd. dividend of 1¾%, or at the annual rate of $15.40 on the junior shares.

Driggs-Seabury Ordnance.—Report, quarter ended March 31, 1917, shows total earnings, after operating expenses, taxes, etc., of $2,031,858; surplus after charges of $1,264,815, and balance after 1st and 2d pfd. dividends of $1,249,053. This is equivalent to $14.15 earned on 88,355 shares of common stock for the three months, or at the annual rate of $56.60 a share. The company, through the Savage Arms Co., closed orders for between 3,000 and 4,000 Lewis guns for the U. S. A. army and navy. These orders are in addition to the contract for 2,000 guns placed recently by the Marine Corps. Driggs-Seabury has also taken additional large orders from the navy for 3-inch and 6-pounder guns.

Gaston, Williams & Wigmore, Inc.—Net earnings, March, 1917, amounted to $276,038, bringing the total for the first quarter of 1917 to $905,955. These profits are from the operations of the Exporting & Importing Co. alone, and include no part of the earnings of the Steamship Co. or of the European companies. Unfilled orders on hand April 18, 1917, were $23,981,044, compared with $17,587,399 on March 14, 1917.

General Chemical.—During the March quarter earned $12.80 a share on 157,329 shares of common stock.

International Paper.—Granted a general wage increase to all employees of its mills at Watertown, N. Y. The increases are voluntary by the company and add 2 cents an hour to the existing rates of all men working by the hour and $1 to the weekly salaries of those paid by the week. The increase will call for an additional outlay of approximately $25,000 per annum. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $16,238,743, compared with $12,402,250 Dec. 31, 1915. The 1916 surplus after charges of $4,620,727 is equivalent to $20.62 a share earned on 224,067 shares of pfd. stock, as compared with $5.44 earned in 1915.

Marlin Arms.—Received an additional order for 500 machine guns from the United States Government. The company recently sold 1,100 guns to the Government.

Midvale Steel & Ordnance.—The basic labor rate for its workers in its plants at Coatesville, Pa., and Johnstown, Pa., has been increased 8% to 10%. The increase does not affect the Midvale plant in Philadelphia, where a higher wage rate already prevails.

Pressed Steel Car.—Declared a quarterly dividend of $1.75 a share on the common stock, payable June 6 to stock of record May 16, in addition to the regular quarterly dividend of $1.75 a share on the pfd. stock, payable May 23 to stock of record May 2.

Republic Iron & Steel.—Started its 1917 year with a first quarter balance of $3,910,427 for common stock, equal to better than 14.3% on the $27,191,000 common. This is an annual rate of 57.2%.

United States Rubber.—On the basis of the first quarter's earnings, and considering orders contracted for, the company should earn at least $20 a share for its $36,000,000 common, after pfd. dividends in 1917, as compared with $15.12 a share for the same amount of common stock in 1916. Sales in the first quarter of the year gained 20% over the corresponding three months a year ago.

United States Steel Corp.—For the quarter ended March 31, 1917, showed net earnings of $113,121,018. There was a balance of $97,744,756 available for dividends. Deducting the pfd. dividends of $6,304,919 left a balance available for the common of $91,439,837, or approximately $18 a share. This is at the rate of $72 a share annually. An extra dividend of 3% and the regular quarterly dividend of 1¼% on the common stock, payable June 29, was declared. The regular pfd. dividend of 1¾% was also declared. The report for the quarter showed unfilled orders as of March 31 amounting to 11,711,644 tons.

Westinghouse Electric & Manufacturing.—For the last few weeks the daily production of rifles has been at the rate of 3,500 per day, or 105,000 per month. This figure is good, but it is still 2,000 to 2,500 per day below the output which the management hopes to attain when maximum figures are reached.

Willys-Overland.—Is producing between 750 and 800 cars a day, or at a 25% higher rate than the average of about 600 in the first quarter of the year. The planned production up to July 1 of between 18,000 and 20,000 cars a month gives every indication of being fully met, which would mean an output for the first half year of approximately 100,000 cars.

THE FIRST U. S. GOVERNMENT LOAN TO THE ALLIES

Secretary McAdoo is shown here signing a treasury warrant for $200,000,000, the first U. S. loan to the allies. Sir Cecil Spring-Rice, British ambassador, signed an obligation for the amount, which was exchanged for the warrant. From left to right: Lord Cunliffe, governor of the Bank of England; Sir Cecil Spring-Rice, Secretary McAdoo, Sir Hardman Lever, financial Secretary of the treasury of Great Britain; Sir Richard Crawford, foreign trade adviser of the British embassy, and Oscar T. Crosby, assistant secretary, U. S. Treasury.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Railroads	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Colorado Sou. 1st pfd........	$4	7.4%	34.72	27.04	17.64	19.59	4.77	6.52	25.32	54	46.88%	Earnings show slight increase.
Southern Ry. pfd............	0	0.0	9.59	11.12	11.27	11.79	8.07	2.76	15.56	58	26.83	Double tracking Washington to Atlanta.
Erie 1st pfd................	0	0.0	10.60	8.46	5.85	13.95	0.33	12.56	9.56	40	23.90	1917 earnings show loss.
New York Central	5	5.3	6.41	6.87	6.23	5.87	3.75	11.10	18.28	93	19.66	Large surplus gain 1916.
P. C. C. & St. L. com........	5	6.6	5.36	4.91	7.12	.....	0.89	9.38	14.25	75	19.00	Gain in surplus over 1915.
Chesapeake & Ohio..........	4	6.8	10.02	5.06	6.80	5.25	4.73	4.25	10.95	58	18.88	Equipment certificates recently sold.
Louisville & Nashville........	7	5.3	17.35	14.26	15.93	11.64	9.22	6.75	23.72	130	18.24	Doubled net profits in 1916.
Buff., Roch. & Pitts. com.....	6	7.0	11.11	12.85	13.43	16.82	9.47	5.26	15.28	85	17.96	Recent net earnings show falling off.
Minn. St. Paul & S. S. com..	7	6.5	14.09	5.86	11.17	14.62	7.55	7.86	16.32	107	15.25	1917 earnings show falling off.
Kansas City So. com..........	0	0.0	2.17	2.74	0.15	2.68	2.95	1.00	2.97	21	14.14	Recent earnings show increase.
Norfolk & Western com......	7	5.5	11.79	8.93	9.88	10.17	8.68	8.77	17.34	127	13.65	Latest earnings show slight falling off.
St. Louis S. W. pfd..........	0	0.0	4.10	6.11	8.14	9.49	1.69	—1.40	6.37	48	13.27	Recent earnings show increase.
Atchison R. R. com..........	6	5.9	8.99	9.30	8.19	8.62	7.39	9.18	12.30	101	12.17	New equipment orders placed.
Chicago Great Western pfd...	2	5.9	0.88	1.87	0.45	3.03	1.98	1.92	4.02	34	11.81	Recent earnings show slight decrease.
Southern Pacific	6	6.3	12.99	9.56	7.92	9.85	7.50	7.20	10.98	94	11.68	Earnings continue about normal.
Union Pacific com............	8	5.8	19.16	16.61	13.88	15.14	13.10	10.98	15.65	136	11.50	Extra dividends.
Reading R. R. com..........	4	4.3	5.38	3.33	3.41	8.43	4.03	4.18	10.16	93	10.92	Large equipment orders placed.
Canadian Pacific com........	10	6.2	16.00	17.28	19.62	19.56	13.63	11.27	17.53	161	10.89	Proposed bond issue postponed.
Illinois Central R. R..........	6	5.8	7.16	10.20	3.12	6.02	7.40	6.29	10.80	103	10.48	Recent earnings about normal.
Pennsylvania R. R.	3	5.6	4.64	4.32	4.68	4.43	3.41	4.25	5.50	53	10.37	1917 earnings show slight decrease.
Lehigh Valley	5	8.0	9.02	6.20	5.34	7.23	5.83	5.22	6.33	62	10.21	Transportation cost very heavy.
Chicago North Western com..	7	6.2	9.34	8.48	7.09	9.55	7.58	7.58	11.39	112	10.16	Equipment orders recently placed.
Northern Pacific R. R........	7	6.8	8.99	8.24	7.93	8.69	7.93	7.59	10.37	102	10.16	Recent earnings show increase.
Great Northern pfd..........	7	6.4	8.47	8.34	10.31	11.69	8.85	8.27	11.06	109	10.14	1917 first two months show increase.
Atlantic Coast Line	7	6.1	11.98	12.93	11.92	11.48	10.68	6.26	11.23	113	9.93	First two months 1917 slight increase.
Baltimore & Ohio com........	5	6.6	8.86	6.89	7.58	7.22	4.50	5.49	7.41	75	9.88	Higher rates necessary to maintain dividend.
Chicago, Mil. & St. Paul com.	5	6.4	9.11	7.11	1.19	8.64	6.33	3.28	7.33	78	9.39	1917 earnings normal.
Delaware, Lack. & Western...	10	4.4	17.71	16.90	16.58	13.36	14.13	12.96	19.15	225	8.51	1916 earnings largest in history of Co.
Delaware & Hudson	9	7.8	12.54	12.32	12.95	14.53	10.84	14.28	9.75	115	8.47	Recent talk of dividend reduction.
New York, New Haven & H..	0	0.0	8.86	6.25	7.45	4.96	0.15	1.47	2.75	38	7.23	Sale of new preferred shares planned.
Seaboard Air Line pfd.......	0	0.0	6.82	6.40	2.37	6.14	5.72	1.43	0.44	30	1.46	Acquires new subsidiaries.

Railroad and Industrial Inquiries

Atchison, Topeka & Santa Fe

W. S. W., Lafayette. Ind.—Atchison, Topeka & Santa Fe is in a strong position. In 1916 the Atchison earned 12.30% on the common stock as compared with 9.18% in 1915. These figures are for the years ended June 30. Current earnings are running at the rate of over 15%. Despite the rising costs of materials and labor, the outlook for Atchison is favorable. The road is well managed and it has always been conservatively financed since the reorganization of twenty years ago. It occupies a growing territory, through which it has been pretty steadily expanding its mileage until within the last two or three years.

In the last annual report, President Ripley expressed the opinion that the revenues of that year would remain the high water mark for some years to come, yet as above stated, the earnings are now running at a considerably increased rate over last year and the indications are that the road will earn over two times its present dividend of 6%. There is no apparent reason why the company should not increase its dividend to 7%, except the uncertainties created by the entrance of the United States into the war.

Atchison is one of the best railroad stocks available for permanent investments and while its price may go lower in the event of unfavorable market developments generally, the stock should eventually be established at a materially higher market level and if you are in a position to purchase it and hold for income only at the present time, we can recommend your buying it.

Great Northern

A. T. S., Coolidge Corner, Mass.—The depression in the price of Great Northern Railway stock has been due to various causes, such as foreign liquidation, general weakness in the rails, recognition of the unfavorable effect on earnings of rising material and labor costs, etc.

In the March 3rd issue of the MAGAZINE OF WALL STREET there appeared an analytical article on the Hill stocks, in which Great Northern's position was discussed. The findings and conclusion of the author of that article accord very substantially with our own views.

B. & O.

D. S.—We cannot encourage you to expect that you will have an opportunity of selling your Baltimore & Ohio stock at a profit, at least at any time in the near future. The stock should have a rally, however, and you may have a chance to sell it several points higher. We suggest that you take advantage of any substantial bulge to get out of it, for there are more desirable investments.

Pitts. and W. Va.

B. T. F., Braddock, Pa.—The Pittsburgh & West Virginia is the old reorganized Wabash & Pittsburgh Terminal. The new road occupies an unique position among railroads, for it is practically unmortgaged. The only mortgage outstanding against the property is about $800,000 in real estate mortgages on the property in Pittsburgh. In addition to the railroad property, the company owns the Pittsburgh Terminal Railway & Coal Co., which owns about 15,000 acres of coal lands and will have outstanding only $3,922,000 first mortgage bonds. The fixed interest charges of the combined properties are approximately $261,000. The issued capitalization consists of $9,100,000 preferred stock and $30,500,000 common stock.

The coal properties furnish the basis on which it is expected the new company will secure maximum results. They have been estimated as worth from $1,000 to $1,500 an acre.

According to the latest reports, the Coal Company earned $120,000 net in December, 1916, and $76,000 net in January, ordinarily a bad month. In February earnings were $200,000. March, it is stated, showed an increase over this figure. The significant part about the steadily increasing coal earnings is that they have been made on an average price of $1.97 a ton at the mine. All of the company's coal contracts expired on March 31 and on April 2 the new contracts at $3.50 a ton at the mine became effective.

The maximum estimate of earnings for the current fiscal year points to between $5,000,000 and $6,000,000 net after deduction of interest charges for the coal properties and $1,000,000 net for the railroads. On the basis of total earnings of $6,000,000 there should be a surplus available for dividends, after all charges, equivalent to 6% on the preferred stock and to about $16 a share on the $30,000,000 common stock. Of course these estimates approximate the most optimistic expectations, but it is very apparent that the road will show substantial earnings for its common stock. Dividends, it is expected, will be inaugurated in the very near future on the preferred issues. Such action should, of course, strengthen the position of the common.

Studebaker

J. G., Lincoln Neb.—Studebaker's decline has been largely in sympathy with the general break in the motor stocks. The regular dividend for this quarter was declared as usual, however. It does not seem to us that a reduction is likely in the near future, at least, but of course the market is taking a look ahead to the time when the earnings of the company may not justify the continuation of the present dividend. If the material and labor costs keep rising and profits are cut down as a consequence of this and of competition and other unfavorable factors, it is not improbable that dividends will have to be reduced within the year. Before that time, however, the stock should rally substantially above its present price.

The company's earnings were affected during the latter part of last year by the shortage of freight cars, but this condition is now on the mend. As a result of the curtailment of shipments in the last quarter of the year, however, profits for 1916 fell below general expectation, being equal to only 26.1% on $30,000,000 common stock. Such conditions of operation necessitated larger inventories than ordinarily. Thus, at the end of the year the corporation had inventories of $21,477,657, against $13,062,041 the previous year, and a natural consequence was the appearance of $4,000,000 notes payable in addition to the ordinary accounts payable of $6,539,011. Quick assets, however, were 337% of current liabilities, as of December 31.

The output of cars was under the scheduled figure, being 65,885, against expectations of better than 70,000, and compared with 46,845 in 1915. The company completed $2,791,936 of war orders left over from the year before, at the modest profit of $49,393, or 1.8%. The bulk of Studebaker's war business was done in 1915, when contracts of $13,553,611 were filled at the substantial profit of $3,412,113, or 25.2%. Regular line business in 1916 increased 37.7% in volume over 1915, and 51.3% in net profits.

St. Paul—Motors

Chicago, Milwaukee & St. Paul's dividends are payable semi-annually, March 1 and September 1. This stock might be attractive under certain conditions as a speculation, but now, owing to the unsettled developments marketwise and the uncertainties in the general situation, we deem it advisable to adopt a neutral attitude on the market and are advising our readers to stay out altogether for the present. As an investment, we might say that we could not favor Chicago, Milwaukee & St. Paul common at this time, even were market conditions favorable to advancing prices.

There are many good motor truck concerns, but the wisdom of buying as investments, the stocks of even the best companies is doubtful. The trade outlook for the motor industry in general is not good. Motor companies have enjoyed extraordinary prosperity in the last two years, and the indications now point to the development of conditions which will have an unfavorable effect on earnings.

Such stocks as White Motors have fairly attractive speculative possibilities, but we cannot recommend this issue as a long pull investment.

Railway Steel Springs

C. I. D., Syracuse, N. Y.—Railway Steel Springs had an extraordinarily prosperous year in 1916. Net earnings available for dividends on the common stock amounted to over 13% as compared with about 3.1% earned in 1915. The management reserved $2,000,000 from surplus earnings for depreciation, improvement, betterment and retirement of bonds. This company has taken practically no war order business and its record of earnings is therefore all the more gratifying.

At the same time there is no getting away from the fact that the prosperity of the company is way above normal. The stock must therefore be regarded as on a speculative basis and we cannot recommend it as an investment.

Investment Suggestions

A. E. L., Lock Haven, Pa.—The following list combines to a reasonable extent the principles of safety, income and marketability. It possesses in a very large degree the cardinal requirement of an investment list, namely diversification of risk in industries and geographically. You, of course, understand that these suggestions are predicated on the requirements named in your letter.

Stock	Price	Dividend	Yield
Atchison, Topeka & Santa Fe	103	6%	5.8%
American Locomotive, Pfd...	103	7%	6.8%
Detroit United Railway.....	114	8%	7 %
National Biscuit, Com........	110	7%	6.4%
Virginia-Carolina Chemical, pfd.	110	8%	7.3%
Woolworth	133	8%	6 %

At. Gulf & W. I.

M. T. B., Jersey City, N. J.—Atlantic Gulf & West Indies is an issue which we cannot recommend at this time because of the possibility that the United States Government will take over the company's ships.

Woolworth

It would be an excellent idea for you to put the proceeds of the sale of your Atlantic Refining into Woolworth common, now selling around 135. Here is a stock on which we are practically always bullish because the company is continually growing and is expanding its business by putting its profits back into the business, just as the Standard Oil companies do. However, the Woolworth Co. is in a business which is subject to less violent changes than the oil business and for that reason the stock is more stable in price. The principle of diversification of risk geographically is nowhere better exemplified than in a security of this kind, for the Woolworth Co. has stores throughout the United States. Picture, if you will, an invasion of our Atlantic seaboard by a hostile army which would destroy the Woolworth building and the Woolworth stores in New York City and the Atlantic Refining Co.'s plant near Philadelphia. Which stockholder would then be in the better position? The Woolworth stockholder, most certainly, for the Atlantic Refining Co. would be practically put out of the business, whereas the Woolworth Co. could continue to operate in stores in hundreds of other cities.

Cooperating with Your Broker

Do You Use Care in Signing Proxies? — Have You Been Assessed Without Cause?—Personal Liability Stock Troubles

By LAWRENCE S. RENZER

THE art of signing one's name to documents without knowing just what such signature might lead to, is an old one and is daily practised with disastrous results. It seems rather paradoxical that a business man who is accustomed to read contracts with the greatest care should attach his name to printed legal forms without careful reading, but it is done daily. This might be expected in some degree where uninformed women are concerned, but nearly every reader of this article has at some time or other been careless in this detail. In ninety-nine per cent of the cases, there has been no damage, but the remaining one per cent has caused heart aches and much self-condemnation.

The Authorization—What It Cost One Man

During the latter part of October, 1916, and November of the same year, The American Hide & Leather Co. decided to readjust the accrued preferred dividends of its company and sent out to stockholders an authorization form, a copy of which is shown in the accompanying graphic. The reader will note the closing sentence:

"It is understood that I am not liable for any expense or Committee charges incurred under this power of proxy and of attorney in excess of one dollar per share of stock now by me held, and that I am to be furnished, from time to time, with a statement of results and efforts of the Committee."

Mr. Jones, of Helena, Mont., owned 100 shares of American Hide & Leather Preferred. He received the notice shown in the graphic, thought that the committee of prominent men knew best and signed the document. This signature was affixed on November 13, 1916. Mr. Jones then sold his Hide & Leather Preferred and forgot all about the authorization. Maybe, Mr. Brown bought the stock and possibly Mr. Green bought it, but no one knew; for the purchaser did not transfer the certificate which remained in Mr. Jones name.

When Mr. Jones opened his mail one morning at his office, he found a bill from The American Hide & Leather Co. asking him to send his check for $100. Mr. Jones spoke mentally as follows: "Why, I have sold my stock. I have no further interest in the matter, so let the next man settle." He tossed the request in the waste basket and dismissed it from his mind. But not for long. A second and more urgent request came. Jones commenced to think, for he was a financially responsible man. He wrote to the committee and explained that he had sold the stock before the assessment was levied, so that it properly belonged to the man who made the purchase. In due course, this reply came from the lawyer for the committee:

Mr. H. J. Jones,
Helena, Mont.
Dear Sir:

Replying to your favor of April 7 in reply to mine of March 27, in reference to your indebtedness to the Protective Committee of the Preferred Stockholders of the American Hide & Leather Company, I beg to state that, according to your authorization, dated Nov. 13, you obligated yourself to pay to this committee $1.00 for each share of stock held at the time of your signing this authorization.

The fact that you sold your stock thereafter does not in any way affect your obligation.

It is not the fault of this committee that you sold your stock. It had no control over your actions. Therefore, we expect to hear from you by return mail with your check enclosed.

Very truly yours,
Hans P. Freece.

This cost Mr. Jones an even $100. Please take warning.

The Proxy Question—Are You Sure You Are Right?

During the past few months The Distillers Company of America had an internal dissension. The present officers and directors of the company were attacked by others who had previously held control of the company, on a matter of policy. The cause and result of the difference are not pertinent to this article in themselves, but the controversy was of vital importance to every stockholder. Mr. Jones, of Helena, Mont., owned 100 shares of this stock.

The object of both contestants was to get a majority of proxies from stockholders who would not be able to attend the meeting, and of course the side holding the majority of votes, represented by the proxies, would obtain control and direct the future of a company which was having a hard time to stand up under the storm of Prohibition Gains. As usual, one fine morning Mr. Jones found a proxy from the company, as he judged, and he carelessly signed it, as he was directed, without reading the subject matter. He was accustomed to do this in every case. A few days later he received another proxy. With this proxy came a letter condemning the men who were directing the affairs of the company, and stating that unless this second group of men gained control, the Distillers Company would probably "go to smash," or words to that effect. Mr. Jones did not recall that he had signed a previous proxy for others, so he signed this second one. The signing of the second proxy at a later date voided the first one.

Now Mr. Jones was a partner in the Distillers Company. But all he thought about, as a partner, was how his dividends might be affected. He did not find out all he might have found out by making a careful investigation, but he "took a chance" and a chance like this might have thrown the control of "his" company into hands which would not develop the future to the best advantage of the "little partner," the small stockholder.

Recently there has been some kind of an effort made to get the small stockholders together so as to make their work effective and to direct all their voting efforts towards the best interests of the corporation in which

Please execute and return this proxy in the accompanying envelope, if unable to be personally present at the meeting.

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a stockholder of THE WILLYS-OVERLAND COMPANY, an Ohio Corporation, hereby nominates, constitutes and appoints JOHN N. WILLYS and ROYAL R. SCOTT, or either of them, with full power of substitution in the premises, attorneys and proxies for the undersigned, to vote in the name of the undersigned, or otherwise, on all shares of the Common Capital Stock of said corporation standing in the name of the undersigned, at the regular Annual Meeting of the stockholders thereof, called to be held in Toledo, Lucas County, Ohio, on the 8th day of May, 1917, at 2 o'clock P. M., for the purpose of the election of Directors for the ensuing year, the ratification of all contracts, acts and proceedings of the Board of Directors, the Executive Committee, and the Officers of the Company, for the preceding year, and the transaction of such other business as may legally come before the meeting, hereby ratifying and confirming all that said attorneys and proxies, their substitute or substitutes, shall lawfully do by virtue hereof.

IN WITNESS WHEREOF the undersigned has hereunto set his hand and seal this 28th day of April, 1917.

________________________________(Seal)

In presence of:

____

Witness.

(Proxies are only valid where signature of stockholder is witnessed by another person.)

Form 1796

they hold stock. It is really the duty of every stockholder to find out all about the company in which he is a partner. These recent efforts of co-operation have been somewhat successful, and the Inquiry Department of THE MAGAZINE OF WALL STREET can bear witness to this fact.

If the stockholder is carrying his stock on margin with a brokerage firm, he may not hold this stock, which he owns, and on which he is borrowing money from his broker, in his own name. It is very likely that the broker has transferred the stock to his, the broker's name, as a matter of marginal protection. However, the client is the actual owner, and, if he retains his interest in the corporation as he should, it is his privilege to direct his broker to send in a proxy, or refrain from sending one in, or even get the broker's proxy made out to himself for use at the meeting of the stockholders.

Personal Liability Stocks—Why They May Be Expensive

The old Minneapolis & St. Louis R. R. Co. was incorporated under the laws of Minnesota and Iowa. Under the peculiar state laws of these states the stockholders are liable for heavy assessments, and it is always the stockholder of record who is liable. Jones may have had 100 shares in his name in 1904, and, if the stock was assessed in 1916, even though Jones had sold it in 1905, he would be called upon to pay this assessment. This situation could exist only with the proviso that the certificate was still in Jones' name on the date of assessment. In this very connection there were several law suits and in every case the courts ruled that Jones had to pay.

Bank stocks, Trust Company stocks and many Express stocks, such as Adams Express, are personal liability stocks. Under the rules of the New York Stock Exchange the purchaser is forced to give the seller a "name" for transfer at the time the stock is delivered against sale.

Suppose Jones owned 100 shares of Adams Express stock and sold it. Furthermore, let us suppose that the buyer did not transfer the stock out of Jones' name and that three years after the sale, Adams Express was heavily assessed. Jones, if he was financially responsible, would be compelled to pay the costs, although he was not the actual owner. Many holders of this class of security, at the time of sale, serve notice at once on the transfer office of the company in question that they are no longer possessed of certificate number 12436F and will not be responsible for what may happen in the future. Even this plan is not always successful in shifting the obligations involved. Nearly all large brokerage firms, possessed of this class of security, arrange to transfer the stock to the names of

AUTHORIZATION

In order to co-operate with the stockholders of the American Hide and Leather Company in an endeavor to readjust the accrued preferred dividends, secure proper representation on the Board of Directors and remedy certain unsatisfactory conditions and methods, I, ..., owner of .... shares of stock, certificates numbers ...., hereby constitute and appoint the Committee heretofore formed, consisting of Anderson Price, Frederic Drew Bond, Hans P. Freece, or a majority of them, or their successors, as my true and lawful attorney and proxy to act for me the same as though I were personally acting, to vote at any meeting of stockholders, to interrogate the officials of the American Hide and Leather Company with regard to the management of the Company's affairs and to demand such financial and operating statements from them as I might, or could, or would, be legally entitled to so demand, to institute and prosecute suits, and for this purpose to consult and employ counsel, and, in general, to do any and all things which, in the judgment of the Committee, shall be advisable and necessary to carry out the above-named purposes. It is understood that I am not to be liable for any expense or Committee charges incurred under this power of proxy and of attorney in excess of one dollar per each share of stock now by me held, and that I am to be furnished, from time to time, with a statement of results and efforts of the Committee.

Dated, *Nov. 13,* , 1916. Signed: *Henry J. Jones.* (L. S.)

Witness: *A. A. Carter*

one or more of their clerks who are not overburdened with worldly goods.

Assessments—Loss From Not Paying Them

When a stock calls for an assessment and it is voted on by a majority of the stockholders at a regular meeting, it is necessary for the holder to pay such assessment or lose his stock. In some cases, however, the stock may be traded in as "assessment, unpaid," first paid, second paid, etc. But this is in case that a definite date has not been set for such assessments. Those stockholders of the old Wabash Railroad who did not pay the assessments have worthless paper on their hands at the present time. There are men still alive who owned Northern Pacific when it was assessed, who refused to pay the money desired, and today they have waste paper to show for their original purchase. Stockholders of Missouri Pacific who did not deposit their stock under the reorganization plan and arrange to pay the assessments will eventually lose what they originally paid for.

Whenever these Protective Committees are formed, whenever it is possible to exchange stock of a wabbly company for certificates of deposit of a holding committee, or whenever an assesment is called for, the wise thing to do is to GET ADVICE. Usually the legal complications involved are too much for the layman, and it is proper and right for the broker or the Personal Inquiry Service Department of THE MAGAZINE OF WALL STREET to be called upon for advice and direction. In almost all cases a final date is set for depositing stock and making payments of assessments. The broker customarily informs the customer of such dates and gets his permission to act, but this service is a voluntary one on the part of the broker, and it is doubtful if he can legally be held for any error or laxity in this connection. This is why it is so necessary for holders of securities to have stock in their own names or else so arranged that they receive all notices and reports from the companies in which they are interested.

These articles are for the purpose of educating the stockholder and to prevent him from losing money through lack of knowledge. Whenever there is a doubt, professional advice should always be sought before action is taken.

How Much Railroad Equipment is Needed to Move An Army?

Some idea of the adequacy of the equipment of the railroads of the United States for the movement of troops may be obtained from a statement prepared by Lieutenant-Colonel Chauncey B. Baker, of the Quartermaster Corps, United States Army, and distributed to the railroads of the country by the Special Committee on National Defense of the American Railway Association.

To move one field army of 80,000 men, consisting of three infantry divisions, one cavalry division, and a brigade, technically known as a brigade of field army troops—troops auxiliary to the infantry and cavalry divisions—requires a total of 6,229 cars made up into 366 trains with as many locomotives. These 6,229 cars would be made up of 2,115 passenger, 385 baggage, 1,055 box, 1,899 stock and 775 flat cars.

This quantity of equipment represents .7 of 1 per cent. of the locomotives owned by American railroads, 4.2 per cent. of their passenger cars, and .2 of 1 per cent. of their freight equipment.

BONDS AND INVESTMENTS

Accounting An Investor Should Know

Profit Reserves Versus Valuation Reserves—Depreciation—Bethlehem Steel's Policy

By EARL A. SALIERS
Assistant Professor of Accounting, Sheffield Scientific School of Yale University

Article VI—Valuation Reserves

THE necessity of distinguishing between reserves of profits and valuation reserves has been mentioned. As a concrete illustration assume that a company owns fixed assets—buildings, machinery, land, etc.—and is engaged in the usual operations of industry. It requires no persuasion to convince us that with the passing of time there will occur a loss in value on the part of some of these assets. We ordinarily expect land to retain its original value and perhaps to appreciate owing to its growing scarcity and the impossibility of duplicating it. A little observation and experience, however, will convince all that most assets of a so-called fixed character are not really fixed, but that they undergo a more or less rapid deterioration from wear and tear, growing inadequacy to fill the demands made upon them, and possibly from obsolescence, *i. e.*, getting out of date as the result of late improvements.

How Depreciation Is Expressed

These various deteriorating influences may all be comprehended by the single term "depreciation." Depreciation, therefore, may be defined as loss in value arising from wear and tear, inadequacy and obsolescence. The rate of depreciation, ordinarily expressed as a percentage on the cost price of the asset in question, may be high or low. The concrete structures of a hydro-electric plant are quite permanent and, in so far as ordinary wear and tear are concerned, probably do not depreciate more than a fraction of 1 per cent. during a year. Their depreciation due to inadequacy might vary, on the other hand, from nothing to a high percentage. A factory building is a less permanent structure. Probably few such buildings now standing, with the possible exception of the best concrete ones, will be in existence in one hundred years. Most of them will literally be shaken to pieces; although many will outlive their usefulness, and be replaced with structures better designed to meet the requirements of dynamic enterprise.

Even less permanent than the structures in which they are housed are many of the machines and fixtures required in manufacturing processes. Constant use, constant wear. Ten per cent. annually is not an exorbitant rate of depreciation for many kinds of implements, and for some kinds it is far too little. Depreciation is a fact, not a theory. It is the least avoidable of all expenses. Some running expenses may be partly, others wholly, avoided in slack times. Very little can be saved by attempting to prevent depreciation, beyond reasonable repair and housing. Whether they are used or not, machines become obsolete and inadequate, and during dull seasons they become creaky and rusty.

Depreciation an Expense

Out of this situation arises a significant fact of an accounting character, namely, that depreciation is an expense of production which cannot be ignored without undesirable consequences. Most expenses must be met promptly. If interest payments are delayed, foreclosure proceedings are instituted by creditors. If the payment of wages is refused the assets of the company thus delinquent, are sold for the satisfaction of this liability.

If payment is not made promptly for raw materials and supplies purchased, cash discount privileges are lost and the terms of future purchases become less favorable. Depreciation, however, is a cost which can usually be neglected for a considerable time without leading to difficulties. For this reason it is neglected; therefore when the evil effects of this neglect begin to make themselves apparent they present a situation made extraordinarily serious largely because it has developed without any well defined symptoms. A small laceration of the flesh gives pain and is immediately swathed and bandaged. A deep-seated disease preys upon the vital organs for years before it creates a consciousness of the need for medical aid.

Depreciation Overlooked Is Dangerous

Depreciation is the least painful, most insidious, most universal business affliction. Promptly treated, it is like a harmless varioloid, ever present but not dangerous. Neglected, it is a source of abundant financial embarrassment and ultimately of insolvency and bankruptcy. Nothing ought to have more influence with the investor than the policy which a corporation pursues in caring for the depreciation of its properties.

We ask, by what process is depreciation properly accounted for?

The answer is, by setting up valuation reserves, crediting them periodically with an amount equal to the depreciation in value for the period, and at the same time charge income with a like amount.

Accounting Procedure

Let us explain. All expenses incident to the month's or the year's operations should be charged to income, otherwise the figure presumed to express net profits, is excessive by just the extent that expenses are omitted. Depreciation is an expense, but a peculiar one in that although it is constantly occurring it may not be accompanied by any immediate cash disbursements as are most operating expenses, as labor, fuel, heat, raw materials, and so on. This makes it somewhat more difficult to account for. If we pay for an expense when we incur it we simply charge the proper expense account and credit cash, which the bookkeeper expresses thus:

Expense $100.00
To cash $100.00

assuming, of course, that the amount of this particular expense is $100. But suppose—as is usually true with depreciation and certain other losses—that there is no corresponding disbursement of cash? Then what? This is just where the use of valuation reserves comes in. Recollect, then, valuation reserves are not reserves of profits, but reserves made to determine profits. Suppose that during a certain period depreciation of plant occurs to the extent of $1,000, for which there is no corresponding disbursement of cash. This may be expressed technically by charging expense, as above, but by crediting a valuation reserve, instead of cash, thus:

Expense $1,000.00
To Valuation Reserve......$1,000.00

TABLE I

BALANCE SHEET—ACME COMPANY

as of January 1, 1907.

FIXED ASSETS:		**FIXED LIABILITIES:**	
Plant	**$100,000**	**Bonds**	**$60,000**
Machinery	**40,000**		
CURRENT ASSETS:		**CURRENT LIABILITIES:**	
Cash	**20,000**	**Notes Payable**	**1,000**
DEFERRED CHARGES	**1,000**	**CAPITAL STOCK**	**100,000**
	$161,000		**$161,000**

Record of Expenses Is Essential

The essence of the matter is that we make a record of this expense. Expenses must be recorded or they will not be considered, but be overlooked. It is beyond the purpose of this brief article to lead the reader through all the intricacies and refinements of accounting, neither is it desirable. But from the foregoing, he should be enabled to grasp firmly the function which valuation reserves fulfill, *i. e.*, not only to bring into each year's income account all proper expenses, but also to make such a record in the ledger that the results of these losses may be clearly set forth in the balance sheet. The former purpose is accomplished through the charge to "expense," which is carried into the income account, the latter is accomplished by the "valuation reserve," which is carried into the balance sheet. While expense accounts are thus closed out each month or year, as the case may be, the valuation reserve remains open, growing larger each year by the amount of decline in value of the asset to which it is complementary and which it evaluates.

Valuation Reserves Illustrated

To illustrate, assume that the Acme Company began business January 1, 1907, with assets and liabilities as shown by the balance sheet in Table I.

During the ten years following January 1, 1907, the company engages in the usual operations of manufacture. Also during this period its plant and machinery depreciate in value from some or all of the causes mentioned hitherto. It is impossible to forecast exactly the life of a building; yet that is the flimsiest of excuses for neglecting to make an estimate of what it will be. If past experience points to the conclusion that the average life of the plant will be fifty years and that of the machinery ten years, then allowances should be made on this basis—2 per cent. annually on cost for the plant, and 10 per cent. annually on cost for the machinery. Expressed in dollars the allowance will be $2,000 and $4,000, respectively, for plant and machinery. For the ten-year period ending January 1, 1917, the depreciation of the plant on the above basis is $20,000 and that of the machinery $40,000, the machinery now being worthless. If the Acme Company has kept its accounts properly, its balance sheet dated January 1, 1917 (assuming that cash has increased $4,500, notes payable $4,000, and that deferred charges now stand at $500), should appear as given in Table II.

TABLE II

BALANCE SHEET—ACME COMPANY.
as of January 1, 1917.

FIXED ASSETS:		**FIXED LIABILITIES:**	
Plant	$100,000	Bonds	$60,000
Machinery	40,000	**VALUATION RESERVES:**	
CURRENT ASSETS:		Depreciation of Plant	20,000
Cash	25,000	Depreciation of Machinery	40,000
Accounts Receivable	58,500	**CURRENT LIABILITIES:**	
DEFERRED CHARGES	500	Notes Payable	4,000
		CAPITAL STOCK	100,000
	$224,000		$224,000

Reserves Not Liabilities

We are concerned only with the fixed assets and the valuation reserves. Changes in the other accounts are pure assumptions made to secure a complete statement. The reserve accounts are not liabilities and their chief value is in the aid they give in an attempt to evaluate or value the fixed assets to which they are complementary. Thus to find the present worth of the plant we deduct the reserve for depreciation of plant from the cost price ($100,000—$20,000), which gives a present valuation of $80,-000. Likewise, to find the present valuation of machinery, deduct the reserve for depreciation of machinery from the cost price of machinery as shown ($40,000—$40,000), which gives zero for the answer.

Investor Should Raise a Question

Probably the investor, before he buys the bonds of a company, will wish to do a little valuation work on his own account. He may question whether the valuation originally placed on the fixed assets was the correct one, and he may also question whether the valuation reserves set up are large enough to cover the depreciation that has occurred. Of course, he will also consider additions and betterments made to the original plant. Machinery cannot be allowed to depreciate until all the machinery is worthless. New machinery must be purchased from time to time, so that in practice the hypothetical situation which we have assumed, in order to simplify matters and lay bare a principle, would not occur. Nevertheless, after making allowance for the naturally more complex situation which occurs in real business, the principle applies with full force.

Use of Valuation Reserves Is Varied

Depreciation of physical assets is but one of the circumstances which make desirable the employment of depreciation reserves. Other assets as well undergo a diminution in value; this is notably true of open book accounts receivable. The percentage of loss on these accounts varies with the character of the business and the efficiency of the credit department. Such loss ought not in most instances, to run beyond a fraction of 1 per cent. Whatever a careful estimate determines, the loss on this score to be, should be charged to income and credited to a reserve for bad debts. When individual accounts are found to be really worthless they are charged into this reserve.

Shortcomings of Practice

It must be admitted that in practice many companies do occasionally "slip a cog" in their treatment of depreciation. The writer once asked the auditor of one of the largest and most prosperous corporations in the United States what policy he pursued in writing off depreciation. The surprisingly frank reply was that the amount of depreciation written off depended on current earnings. This answer exemplifies the recourse which, in practice, is sometimes had to a procedure which does not run paralled to the theory which underlies good accounting. Sometimes a point is sacrificed for harmony's sake. In some industries gross income varies greatly year after year. In others it remains fairly uniform. The former, or variable tendency is best exemplified by the industrial group. Here there is undoubtedly some justification for altering the depreciation charge from year to year, providing that in the long run a sufficient allowance is made. An investor should enlighten himself as to the general policy on depreciation followed by the company of whose securities he is a prospective buyer.

Policy of Bethlehem Steel Company

Owing to its increased earnings, the Bethlehem Steel Corporation charged off over $14,000,000 for depreciation in 1916—an amount several times in excess of the average amount written off during several years preceding. One is inclined to ask, then, whether the charges made during preceding years were adequate. When insufficient allowance for depreciation is made, it is usually because the earnings are not large enough to make a fair allowance for it and also make a good showing of net profits—a situation which borders on the humorous in the eyes of those who understand it.

Investment Offerings

[Under this caption we will publish from time to time a list of what we regard as conservative investment offerings by firms of unquestioned reliability. These securities will be of the type that should interest investors who regard safety of principal as the primary consideration in making their commitments.—Editor.]

UNITED STATES PUBLIC SERVICE COMPANY, $2,750,000 First Lien 6% Gold Bonds. Dated February 1, 1917. Due February 1, 1927. Redeemable at the option of the Company on any interest payment date on six weeks' published notice, at 105 and accrued interest. Interest payable February 1st and August 1st. Coupon bonds in denominations of $100, $500 and $1,000 each interchangeable; principal may be registered. $1,000 coupon bonds and multiples thereof are interchangeable with registered bonds of like denominations. Principal and interest payable at office of William P. Bonbright & Co., Inc. Guaranty Trust Company of New York, Trustee. Offered at 99 and accrued interest by William P. Bonbright & Co., corner Nassau and Cedar Streets, New York.

NORTHERN STATES POWER COMPANY, $1,500,000 7% Cumulative Preferred Stock. Par value, $100. Preferred both as to assets and dividends. Redeemable at the option of the Company on sixty days' notice at 110 and accrued dividends. Dividends payable quarterly, January, April, July and October 15. Price on application to William P. Bonbright & Co., corner Nassau and Cedar Streets, New York.

THE UNITED WATER, GAS & ELECTRIC COMPANY, $175,000 6% Cumulative Preferred Stock. Preferred as to both assets and dividends. Dividends payable February, May, August and November 1. Par value, $100. Registrar, The Equitable Trust Co. of New York. Transfer Agent, Henry L. Doherty & Company, New York. Price to return about 6½%. Offered by Henry L. Doherty & Company, 60 Wall Street, New York.

WEST VIRGINIA TRACTION & ELECTRIC COMPANY, 2-year 6% Bond Secured Gold Notes. Dated May 1, 1917. Due May 1, 1919. Callable at 100½ and accrued interest on forty days' notice. Semi-annual interest payable May 1 and November 1. Principal and interest payable at New York Trust Company, New York. Coupon Notes in denominations of $1,000, $500 and $100 each; principal may be registered. Offered at 98½ and accrued interest by William P. Bonbright & Co., Nassau and Cedar Streets, New York.

ARKANSAS LIGHT & POWER COMPANY, First Mortgage 6% Gold Bonds. Dated October 1, 1915. Due October 1, 1945. Interest payable April and October 1, at New York, without deduction for the Normal Federal Income Tax. Redeemable at 105 on any interest date upon sixty days' notice. Coupon bonds in $1,000, $500 and $100 denominations, registerable as to principal. Offered by E. F. Coombs & Co., 120 Broadway, New York.

LOUISVILLE GAS & ELECTRIC CO., 6% Gold Notes. Due April 1, 1918. Price to yield 4.88%. Offered by William P. Bonbright & Co., Nassau and Cedar Streets, New York.

WAYNE COAL COMPANY, $500,000, First Mortgage 6% Sinking Fund Gold Bonds. Dated March 1, 1917. Due March 1, 1937. Interest payable March 1 and September 1, at the Colonial Trust Company of Pittsburgh, Pa., Trustee. Denominations, $100 and $1,000. Coupon form, registerable as to principal. Tax refunded in Pennsylvania. Company pays the normal Federal Income Tax. Redeemable on any interest period at 105 and interest upon thirty days' notice. Offered at 97½ and interest by Duquesne Bond Corporation, 115 Broadway, New York.

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC., $2,000,000 5-Year 6% Convertible Gold Notes. Dated June 1, 1916. Due June 1, 1921. Interest quarterly, March, June, September, and December. Interest and Principal payable at The Equitable Trust Company of New York, Trustee. Redeemable as a whole or in part on sixty days' notice on any interest date after June 1, 1919, at 102½ and interest. Coupon Notes, denomination $1,000, with provision for registration as to principal. Offered at 102 and interest, to net 5.45% by The Equitable Trust Company of New York, 37 Wall Street, New York, and Edmund Seymour & Company, 45 Wall Street, New York City.

EMPIRE REFINING COMPANY, First Mortgage and Collateral Trust Ten-Year Sinking Fund 6% Gold Bonds. Dated February 1, 1917. Due February 1, 1927. Interest payable February 1 and August 1. Coupon bonds in denominations of $1,000 and $500, registerable as to principal. Callable as a whole or in part, or for the sinking fund, until and including February 1, 1921, at 104; thereafter until and including February 1, 1924, at 106; and thereafter until maturity at 108. Authorized issue, $10,000,000. Presently to be issued $7,000,000. Interest payable without deduction for the normal Federal Income Tax. Pennsylvania personal property tax refunded by company. Price, 100 and interest, yielding 6%. Offered by Montgomery, Clothier & Tyler, New York; Kissel, Kinnicutt & Company, New York, and Henry L. Doherty & Company, New York.

CITIES SERVICE COMPANY, 6% Cumulative Preferred Stock. Preferred both as to assets and dividends. Authorized $100,000,000. Outstanding, $59,825,509. Dividends payable first day of each month. Price on application to Montgomery, Clothier & Tyler, 14 Wall Street, New York, and Kissel, Kinnicutt & Co., 14 Wall Street, New York.

Bond Inquiries

Central Leather 5's

L. R. B., Brooklyn, N. Y.—Central Leather 1st Lien 20-Year Gold 5s are most excellent industrial bonds. You should hold them. The issue is a direct obligation of the company and secured by a mortgage on its entire property, now owned or hereafter acquired; also upon the entire capital stock, purchase money bonds and debentures of the Union Tanning Co., covering all the real estate and other fixed property of the former United States Leather Co.; also secured by deposit of 7,997 shares (out of 8,000 shares) of the capital stock of the N. R. Allens Sons Co., $10,000,000 stock and $3,750,000 debenture 4s of the Central Pennsylvania Lumber Co., and all stock and bonds of subsidiary companies owned. None of the constituent companies have any outstanding bonded debt.

The company and its constituent companies own tanneries in the States of New York, North Carolina, Georgia, Virginia, West Virginia, Wisconsin, Tennessee, Kentucky, Maryland and Pennsylvania. Mills at Jameson City, Kelettsville, Leetonia, Grays Run, Loleta, Mina, Tiadaghton, Williamsport and Sheffield, Pa. Extract factories and plants at Old Fort, N. C., Cadet, Va., Chattanooga and Tellico Plains, Tenn. Finishing plant at Elizabeth, N. J. Machine shops at Cumberland, Md. and Ridgeway, Pa., a total of 86 tannery plants and extract works and 13 saw mill plants. Also owns glue factories, warehouses, laboratories, etc., and lands growing bark and timber, and other real estate properties in various states, comprising 527,374 acres owned in fee, 1,177,380 tons growing hemlock and oak bark; 1,862,646,683 feet growing sawing timber. Also 216.72 miles of railroads and sidings and 103.85 miles of tram roads with equipment.

The foregoing description of the property on which these bonds are a mortgage shows very clearly their strong position from the standpoint of distribution of risk, geographically. In the year ended Dec. 31, 1916, the interest on the bonded debt of the company was earned 9.43 times as compared with 4.60 in 1915 and 3.65 in 1914.

Houston Oil Certificates

K. S., Hartford, Conn.—Houston Oil Certificates were issued by the trustee in respect of payments made under the Kirby Lumber Co. stumpage contract, and are guaranteed by the Houston Oil Co. They appear to be protected by substantial equities and while not in the highest class, they are well secured and you should have no concern as to their ultimate position.

Peoria Railway 5's

M. B., Yonkers, N. Y.—Peoria Railway First & Refunding Mortgage Gold 5s are secured by a first mortgage on all the property of the company and as they are further secured by the guarantee of the Illinois Traction Co., a favorable rating is justified. The bonds are not yet entitled to rank among the highest grade issues, but their position should improve, and we suggest that you hold them.

St. Louis & Southwestern 5's

B. F., Cresco, Pa.—St. Louis & Southwestern First Terminal & Unifying Gold 5s ars subject to various other mortgages of the company and cannot be classed among the higher grade bonds. The earnings of the company ran at a low level during recent years of depression, but they are now showing an improvement and in view of this, a fairly favorable rating for the bonds seems to be justified. If you are willing to take the speculative risk involved in holding this issue, it would be well for you to keep the bonds for the present, for the prospects would seem to point to a betterment of their position.

Various Bonds

W. C., Cambridge, Mass.—Interborough Rapid Transit First & Refunding 5s have declined considerably lately and it might be inadvisable for you to dispose of the bonds at the market, especially if you would have to do so at any considerable loss. This bond ranks, or at least has ranked as a very high grade issue, but it is not as safe to hold as some other securities, such, for instance, as Baltimore & Ohio Refunding 5s. The latter are now selling around 97½, but it is not unlikely that you may have the opportunity of exchanging your Interborough bonds for these bonds on an equal basis sometime in the near future. If the Interborough issue advances so that you can do that, we suggest that you switch.

Anglo-French 5s may very likely go lower, as the result of the offering of additional foreign bonds in this market, if the war continues for sometime longer. However, the ultimate position of these bonds is probably secure and we do not suggest that you dispose of them at heavy loss now, provided you have no reason to anticipate that you will have to use the money.

Baltimore & Ohio Convertible 4½s are very high grade bonds and we recommend that you hold them.

Chicago Railway First Mortgage 5s are also high grade bonds and you need have no concern as to their ultimate position. We suggest that you hold them.

Coal & Coke Railway 5s are quite speculative and unless you are willing to assume considerably more risk than is involved in holding higher grade bonds, it would not be a good plan for you to keep these.

Maryland & Pennsylvania 4s and Maryland & Pennsylvania Convertible 6s are both speculative. You would do well to exchange them for higher grade securities.

PUBLIC UTILITIES

Ohio Cities Gas

Is the Stock Too High?—Earnings and Dividends Outlook —Analysis of Stock's Position

By L. R. BEECH

OHIO Cities Gas has been a name to conjure with during the past eight months. More than one pool has been tempted to exploit the possibilities of this spectacular stock. Quick action and reckless tactics have characterized the operations.

The story goes that one of the original pools, identified with the first move to above 100, slipped out of their stock at around that figure and confidently took the short side. In the lingo of the "Street" they got badly licked, for a luckier or stronger, or perhaps it was a more "knowing" pool took the stock on up.

It turned out that the latter operators were actually aided by the opposition. A bull pool in a specialty like Ohio Cities Gas always welcomes the bear. They seem to take a huge delight in enticing him into their trap, artfully closing it and then squeezing him unmercifully.

Ohio Cities Gas, about twenty months ago, was selling below par. Then the par value of the stock was $100 a share. Since the par has been reduced to $25. Hence the current quotation of around 135 is the equivalent of nearly 550 per cent. of par. Ten million capital stock (the authorized common capitalization) is selling for practically $50,000,000.

Of course, the fact that Ohio Cities is selling high and has been exploited by pools does not necessarily mean that it is selling *too* high. But there is always a time when a stock does get too high. Oftentimes the pool plays no part in pushing an over-valued stock beyond the zone of moderate or reasonable valuation into the extremely speculative or altogether unreasonable zone. Nevertheless, an investor or intending purchaser can make no mistake if he becomes increasingly mindful of the fact that there is always a limit. Too many take the opposite view and grow more enthusiastic the higher the price soars. That is the psychology of the stock market.

Whether applied to the market as a whole or to an individual stock, this psychological aspect of the situation is always worthy of consideration. Just because Ohio Cities looks better today at 500 per cent. of par than it did at 70 per cent. of par two years ago, does not prove that it is a bargain.

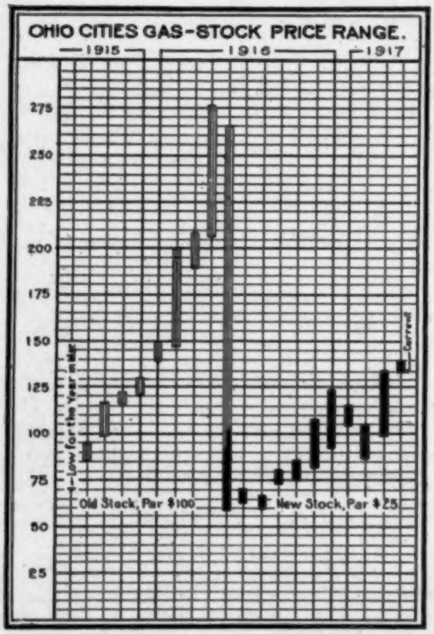
Not a Public Utility Stock

Now to consider the intrinsic merits of Ohio Cities Gas. The first point to know about this issue is that it is an oil stock, despite its name. There is no justification whatever for the present price of the stock on the basis of the public utility operations of the company. That angle of the business is comparatively unimportant with the stock selling above 130, and it is therefore unnecessary to take up much space in discussing it. Public utility earnings probably account for less than 20 per cent. of the total current earnings, estimated to be at the annual rate of 40 per cent. or more, on the stock. The present earnings of the public utility properties may be regarded as maximum, owing to the fact that gross revenues are not increasing, nor is there any valid reason to expect that they will increase within the next year at least, sufficiently to offset the greater expenses. Ex-oil earnings, Ohio Cities might be a reasonably attractive 5 per cent. stock at around 20.

The Transformation to an Oil Stock

Oil did not begin to loom as a potential factor of importance in the earnings of the Ohio Cities Gas Co. until the summer of 1915. August of that year witnessed the inception of the great boom in oil following the severe depression which began with the development of the Cushing pool in the spring of 1914.

The accompanying table visualizes to a certain extent the manner in which the public utility properties have been crowded to the rear. The picture is not altogether complete because the earnings of the Gunsberg & Forman, Oklahoma oil producing properties, do not appear. These properties were acquired in the latter part of 1916, together with two refining properties.



The Oil Properties

The Gunsburg & Forman properties consist of approximately 26,500 acres of oil territory, 20,000 acres of which are undeveloped. Some 6,500 acres located generally in the Nowata, Cushing and Healdton fields are producing about 5,500 barrels a day from about 620 wells.

The refining properties include the Ardmore Refining Co. and the International Refining Co., located respectively at Ardmore and Cushing, Oklahoma. These have a combined daily refining capacity of 11,000 barrels, their property consisting generally of real estate, pipe lines, refinery equipment, about 1,400,000 barrels of tankage, tank cars, and including at the time of the purchase substantially 1,000,000 barrels of crude and refined oil.

The price paid for these combined properties was $8,400,000. To finance the purchase the company issued $5,000,000 notes and approximately $1,000,000 stock. The stock was offered to stockholders at $85 a share. It may be mentioned here that the notes were purchased by the Guaranty Trust Company of New York and that they are subject to payment in amounts of $625,000 at the end of each six months period from January 1, 1917. They run for one, two, three and four years.

The company's oil properties outside of Oklahoma are located in Ohio and West Virginia, comprising some 125,000 acres, of which about 12,000 acres is proven territory in Ohio and 4,000 acres proven territory in West Virginia. These properties are operated respectively by the Columbus Oil & Fuel Co. and the Columbus Producing Co. The combined daily production is approximately 4,000 barrels.

Earnings

It is possible to figure out very large earnings for the Ohio Cities Gas Co. For instance, the Ardmore and International Refining properties earned in the ten months to January 31 last at the rate of $2,000,000 per annum. The Columbus Producing Co. and the Columbus Oil & Fuel Co. together, earned in the seven months to October 31, as shown on the table, at the rate of about $1,500,000. The public utility properties earned at the rate of between $800,000 and $1,000,000 per annum, based on the ten months' figures. Earnings of the Gunsburg & Forman properties are not available, but they may be figured, for the sake of estimating the total earnings, at $1,500,000. The foregoing figures total up to $6,000,000. Taking them as a basis on which to calculate earnings for the current fiscal year, there should be deducted approximately $500,000 for dividends on the preferred stock of the Ohio Cities Gas Co. and about $1,500,000 to meet the interest and sinking fund charges on the $5,000,000 notes. This would leave about $4,000,000, or 40 per cent. applicable to dividends on the Ohio Cities Gas $10,000,000 common stock.

Dividend Outlook

Of course, all could not be used to pay dividends, and, as a matter of fact, if the boom times. They do not as a rule do this even when they charge off very heavy depreciation.

Supposing for the sake of argument, that the Ohio Cities Gas earns from its oil properties a surplus for dividends of $3,200,000 and from its public utilities $800,000; and pays in dividends $600,000 out of public utility earnings and $1,900,000 out of oil earnings to maintain the present rate of 25 per cent., amounting to $2,500,000 per annum.

TABLE I

COMPARATIVE DIVIDEND SURPLUSES OF OHIO CITIES GAS AND SUBSIDIARIES FISCAL YEARS ENDING MARCH 31

1915 (fiscal year)	1916 (fiscal year)	1917 (4 months)	(6 months) 1917	(7 months) 1917	(10 months) 1917
OHIO CITIES GAS					
$702,479	$1,139,739	$249,308	$497,322	$492,233	‡$2,118,616
Public Utility Properties					
COLUMBUS GAS & FUEL CO.					
$523,977	$375,219	$98,593	$94,049	$63,208	$231,790
FEDERAL GAS & FUEL CO.					
$119,748	$125,311	$31,783	$28,940	$29,940	$86,460
SPRINGFIELD GAS CO.					
$70,844	$84,082	$24,074	$27,503	$14,825	$67,504
***DAYTON GAS CO.**					
$163,686	†$181,488		$66,619	$43,081	$147,306
Oil Properties					
COLUMBUS OIL & FUEL CO.					
$207,163	$270,568	$120,626	$184,738	$223,273	‡
COLUMBUS PRODUCING CO.					
$21,797	$298,097	$322,766	$497,516	$639,370	‡
ARDMORE REFINING CO.					
					$643,836
INTERNATIONAL REFINING CO.					
					$717,024

*Fiscal years end December 31.
†Seven months ended July 31.
‡Columbus Oil & Fuel Co. and Columbus Producing Co. figures included in Ohio Cities Gas Co.
Note: Statements of several small subsidiary oil companies whose earnings are comparatively unimportant, are not included in above table.

company earned net of no more than $4,000,000 this year, it would hardly be conservative policy to maintain even the present 25 per cent. rate of dividends. Generally speaking, well managed and successful oil companies do not pay out more than 50 per cent. of their earnings in dividends, especially in extraordinary Where is there going to be enough left over for depreciation, reserves, working capital, etc.?

Of course, the reader must remember that we are working on an hypothetical basis purely, when we attempt to arrive at an estimate in this way, but if this method accomplishes nothing else, it at least may become the source of some pertinent suggestions.

The ardent supporter of Ohio Cities Gas might well accuse us of unfairness if we did not mention in connection with the above, the factors which may contribute to a very large increase in 1917 earnings over 1916. For instance, there is the Ohio Cities Gas Co's Casinghead gasoline production, the prospective profits from a new refinery which the company plans to build in West Virginia,

TABLE II

OHIO CITIES GAS COMMON DIVIDENDS SINCE ORGANIZATION

June	1,	1914—1¼%	on	$2,510,500	$31,381
Sept.	1,	1914—1¼%	on	5,183,600	64,795
Dec.	1,	1914—1¼%	on	6,281,200	78,515
Mar.	1,	1915—1¼%	on	6,289,000	78,612
June	1,	1915—1¼%	on	6,293,800	78,672
Sept.	1,	1915—1¼%	on	6,315,300	78,941
Dec.	1,	1915—1½%	on	6,496,500	97,447
Mar.	1,	1916—1½%	on	6,498,800	97,482
June	1,	1916—2%	on	7,633,800	152,676
Sept.	1,	1916—2½%	on	7,641,800	191,045
Dec.	1,	1916—2½%	on	7,642,000	191,051
*Dec.	1,	1916—5%	on	7,642,000	382,100
Mar.	1,	1917—3%	on	9,025,150	270,754
June	1,	1917—6¼%	on	10,000,000	625,000

*Stock Dividend.

the possible increases in the oil output of the company's large holdings of undrilled acreage in West Virginia, Ohio and Oklahoma, &c., &c.

Granting that to a reasonable degree the most optimistic expectations in these several directions, materialize, it must still be conceded that the present price of the stock substantially discounts very much larger earnings.

A new oil stock generally speaking, should sell on a higher yield basis than a good industrial or even a good mining stock, because of the more speculative character of the oil business. Ohio Cities Gas might very well pay $12 yearly in dividends on the present shares, and the price of the stock around 140 would not appear unreasonably low. The company plans to double its authorized capital and it is expected that a 100 per cent. stock dividend will be distributed. There has been talk to the effect that the present rate of dividends will be continued on the new stock. Earnings should run between $8,000,000 and $9,-000,000 per annum to justify it.

But granting that the last estimate is warranted by the potentialities of the situation, how about accidents? Suppose the oil boom is punctured by the discovery of a new pool or because of a temporary over-production, or for some other reason?

It is contrary to precedent for an oil company to develop into a firmly established organization in the comparatively short space of one boom period. The acid test for Ohio Cities Gas will come with the next period of depression for the oil industry, whether it occurs this year or next. The large earnings of the company may dwindle to an astonishing extent if crude oil prices sway downward, even though they do not approach their former record low levels.

Conclusion

To sum up, it cannot be too strongly emphasized that Ohio Cities Gas is an oil stock, that it is selling on the basis of prospects and at a price which discounts materially increased earnings, that an increase in the combined earnings of the subsidiary properties would have to be very marked to warrant establishing an increased dividend rate; and that a large amount of the stock is now in weak instead of strong hands.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Public Utilities	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Third Ave. Ry. com	$0	0.0%	.....	.....	.....	4.25	3.78	4.19	5.98	23	26.00%	Decrease in earnings.
Republic Ry. & Light com	4	11.1	.....	.....	.....	.....	1.95	2.97	8.73	36	24.25	Big increase in operating expenses.
United Ry. & Light com	4	9.5	.....	.....	.....	4.74	3.74	2.41	8.68	42	20.66	Better business in view.
Elec. Bond & Share pfd	6	6.0	25.35	35.30	35.00	23.50	22.74	23.30	19.61	100	19.61	Note retirement planned for subsidiary.
Northern States Power com	7	7.3	.....	.....	.....	3.00	7.40	12.90	16.87	96	17.57	Recent earnings show increase.
Common. Pr. & Lt. com	4	7.5	.....	6.02	6.27	7.44	8.28	7.42	8.80	52	16.92	Heavy increase in operating expenses.
Adirondack Elec. P. pfd	6	7.3	.....	6.60	5.50	2.50	5.15	11.87	12.27	82	14.96	Acquired new properties.
Am. Public Util. com	0	0.0	.....	.....	.....	5.85	4.69	3.83	5.35	36	14.86	New plants opened in Minnesota.
Ohio Cities Gas	6.25	4.7	.....	.....	.....	.....	.....	.....	19.15	133	14.40	Extra 12½c. dividend.
Pacific Gas & Elec. com	5	8.3	9.20	6.09	.....	2.84	7.78	10.48	8.57	60	14.28	Recent 1917 earnings show increase.
Western Union Tel	5	5.2	5.60	5.38	4.01	3.24	5.38	10.19	12.50	95	13.15	1917 earnings large increase.
Philadelphia Co. com	3.50	10.6	3.90	5.30	3.80	3.11	3.03	4.31	4.30	33	13.03	New offering of notes.
Cities Service com	6	2.1	.....	8.18	7.01	11.31	14.66	15.27	36.74	283	12.99	Extra dividends expected.
Am. W. W. & Elec. 1st pfd	0	0.0	.....	.....	.....	.....	.....	9.57	10.18	80	12.72	Earnings continue good.
Consol. Gas Balti. com	8	7.2	10.09	8.76	13.12	15.27	11.43	11.56	13.89	110	12.62	Large earning power.
Brooklyn R. T.	6	9.6	5.58	6.82	8.28	9.17	7.14	7.40	7.53	62	12.14	1917 shows loss in surplus.
Laclede Gas com	7	7.0	10.02	8.52	8.40	8.16	8.20	9.24	11.21	100	11.21	Earnings normal.
North American Co	5	7.5	6.22	6.23	7.15	7.01	6.41	6.06	7.25	66	10.98	Earnings very good.
Detroit Edison	8	6.4	6.93	8.22	7.84	8.34	10.52	13.68	13.72	125	10.97	1917, three mos., shows surplus increase.
Kings Co. Elec. L. & P. com	8	6.9	10.09	10.24	9.52	9.29	10.85	11.66	11.88	115	10.33	Earnings normal.
Sou. Cal. Edison com	7	7.8	3.76	5.75	5.35	7.56	6.07	6.71	9.09	89	10.21	New California plants acquired.
Twin City R. T. com	6	6.6	7.22	7.25	7.44	8.69	8.05	6.83	9.22	91	10.13	Earnings about normal.
Standard Gas & Elec. pfd	3	8.1	.....	3.85	7.39	3.19	2.63	3.15	3.71	37	10.03	1917 earnings show increase.
American Power & Lt. com	4	5.2	.....	.....	.....	6.01	5.24	4.21	6.49	77	8.43	Earnings continue good.
Montana Power com	4	4.0	.....	.....	.....	3.13	2.42	3.73	8.20	100	8.20	Record earnings for 1916.
Public Ser. Corp. N. J. com	8	6.5	8.80	7.18	8.21	8.99	6.50	7.88	9.82	122	8.04	Directorate reduced to 18.
Am. Tel. & Tel. com	8	6.4	10.34	10.01	9.86	9.59	9.38	9.52	9.77	125	7.81	Station growth 100% greater than 1916.
Am. Light & Trac. Co	10	3.0	27.63	27.79	26.05	25.09	22.32	24.62	25.66	330	7.77	Two million dollar increase in surplus.
Consol. Gas N. Y. com	7	6.2	7.17	8.89	8.91	8.50	8.40	9.29	8.67	113	7.67	Increase in gas oil prices.
Peoples Gas Lt. & Coke	4	4.9	9.01	8.92	7.54	8.25	8.55	8.39	5.39	81	6.65	Heavy cost of production. Dividend reduced.
Mackay Co. com	6	7.1	4.29	5.05	5.06	5.09	5.25	5.28	5.36	84	6.33	Excellent business.
Mass. Gas com	5	5.5	4.11	4.22	4.34	5.20	5.15	5.13	5.53	90	6.14	Earnings about normal.
Columbia Gas & Elec	4	9.7	.....	.....	.....	0.25	0.59	0.76	2.31	41	5.63	Initial dividend 1% paid May 15, 1917.
Pacific Tel. & Tel. com	0	0.0	0.66	1.03	0.63	1.87	1.89	0.56	1.25	30	4.16	Has surplus of six hundred thousand dollars.

Public Utility Notes

Alabama Power.—Will duplicate its 20,000 horsepower steam electric plant on the Warrior River at a cost of $1,500,000.

American Power & Light.—Balance sheet as of Dec. 31, 1916 shows a combined surplus of $1,632,284. The 1916 surplus, after charges of $746,651, is equivalent to 6.49% on the common stock after preferred dividends, compared with 4.21% in 1915.

Arizona Power.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $196,129, compared with $133,058 Dec. 31, 1915.

American Telephone & Telegraph.—The New York Stock Exchange has stricken from the list this company's subscription receipts for capital stock, first installment paid, and admitted to the list the company's subscription receipts for capital stock, second installment paid.

Binghamton Light, Heat & Power.—Petitioned the N. Y. Second Dist. P. S. Comm. for authority to issue $407,000 in first refunding mortgage 5% 30-year gold bonds, under an existing mortgage, and 174,100 6% cumulative pfd. stock.

Cities Service.—The 1916 balance after pfd. dividends of $10,213,988 is equivalent to 48.37% on the common stock, compared with 18.78% for the 12 months ended March 31, 1916.

Kings County Electric Light & Power.—Made application to list $2,500,000 of its 6% convertible debenture bonds, issue of 1913, due Nov. 1, 1925.

Long Island Lighting.—Petitioned the N. Y. Second Dist. P. S. Comm. for authority to issue $561,000 in first mortgage 5% 25-year gold bonds, under an existing mortgage, and for approval of a supplement to said mortgage.

Massachusetts Gas.—Reported combined net earnings for March as $354,223, an increase of $58,128, or 19.63%, compared with March, 1915. For the nine months ended March 31 the combined net earnings were $2,417,602, compared with $2,055,570 the same period a year previously.

Middle West Utilities.—At the annual meeting of this company at Wilmington, Del., June 30, the question of increasing the authorized pfd. and common stock from $12,000,000 each to $20,000,000 each will be considered.

National Fuel Gas.—Authorized an increase in capital stock from $16,000,000 to $32,000,000. At a subsequent meeting of directors the question of the new stock will be taken up. Balance sheet, as of Dec. 31, 1916, shows cash amounting to $695,060, accounts payable, $864,801, and total assets and liabilities of $29,076,398.

Niagara, Lockport & Ontario Power.—Report, year ended Dec. 31, 1916, shows consolidated income account as: Gross profits from sales of electric power, $1,156,119; net after taxes, $964,383; surplus after charges, $406,825; discount of company's bonds purchased, $10,308; profit and loss surplus, $417,133. The surplus after charges of $406,825 is equivalent to $15.06 a share earned on 27,000 shares of first pfd. stock.

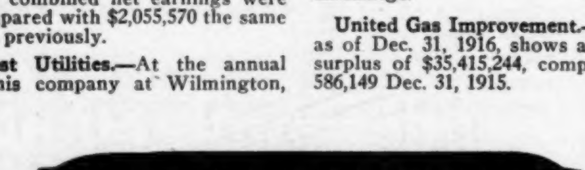
Ohio Cities Gas.—Declared a quarterly dividend of 6¼% on the common stock, payable June 1. The previous dividend was 2½%.

Pacific Gas & Electric.—Report, year ended Dec. 31, 1916, shows gross operating revenue of $18,173,195, net operating revenue of $7,862,228 and net corporate income of $4,484,143.

Pacific Telephone & Telegraph.—Report, year ended Dec. 31, 1916, shows gross operating revenue of $20,248,565 and net corporate income of $2,266,927 for the year. Surplus as of Dec. 31, after dividends and all other deductions was $617,375.

United Fuel Gas.—Declared a stock dividend of 11 1-9% from the accumulated surplus. This increases the outstanding stock of United Fuel Gas Co. from $9,000,000 to $10,000,000. Has listed $204,000 first mortgage 6% bonds, Series "A," with authority to add $1,502,500, making the total amount authorized $11,500,000, on the N. Y. Stock Exchange.

United Gas Improvement.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $35,415,244, compared with $32,586,149 Dec. 31, 1915.



Public Utility Inquiries

American Cities

D. S., Biloxi, Miss.—American Cities Pfd. has declined, not only because of generally unfavorable market conditions, but also because the annual report for 1916 was disappointing. This report showed net earnings equivalent to only 3.1% on the preferred stock, as compared with 3.29% earned in 1915, and 6.49% earned in 1914. Since the company paid dividends of 3% in 1916, it was obvious that the payment was covered by a very small margin. However, there is the consideration that the company as a holding organization, does not show on its own report the entire combined surplus of subsidiary companies which is applicable to dividends on its own stock. If the proportionate interest of the holding corporation in the undivided surplus earnings of the constituent companies had been added to the surplus earnings of the American Cities, the surplus of that company for the year would have amounted to $282,768, instead of $21,591. The income account of constituent companies for 1916 showed a surplus after charges of $1,689,019, compared with $1,366,510 in 1915.

The American Cities' subsidiaries, like practically all utility companies, are feeling the effects of higher material and labor costs and these factors are being reflected in a curtailment of the ratio of net profits as compared with gross business done. But there is no immediate reason for apprehending a reduction in the dividend of 3% and the stock, while speculative at its current level, has certain attractive features for the long pull. The South is very prosperous and is likely to continue prosperous and the subsidiaries of the American Cities Company should participate in any general prosperity. Under the circumstances, you would not be wise in disposing of your stock at a sacrifice, but at the same time, it would probably be inadvisable for you to average up at this time.

B. R. T.

A. H. S.—Brooklyn Rapid Transit is selling comparatively low. It has been the object of bear attacks recently and has withstood a large amount of selling which was sentimental. The chances therefore favor a rally and for that reason it would be an inopportune time for you to liquidate. We do not favor the stock as an investment because of the uncertainties ahead of the company, principally the possibility of a dividend reduction when the new subways are opened, or perhaps before. However, your chances of recovering a part of your loss at least, in the near future, are now good and while you might make up your losses quicker in something else, you would necessarily have to assume a certain amount of additional risk.

Interborough Consolidated

W. H. S., New York City.—Interborough Consolidated is certainly at a comparatively low price and the stock has more or less attractive speculative possibilities. It has been depressed partly in sympathy with the general weakness of the traction issues. The more specific cause for the decline is that the preferred dividend of the Interborough Co. is expected to be reduced sooner or later. A reduction in the preferred dividend would of course, further remove dividends on the common.

Northern Ohio Electric Corp.

A. K. B., Quebec, Can.—Northern Ohio Electric Corporation is a new holding company in the utility field. The record of the property it has taken over is very satisfactory and it would seem that the margin of earnings for the dividend on the holding company's property should be ample to insure a maintenance of the 6% rate, but there are other better established utilities which have better prospects. The preferred stocks may be purchased at equally attractive prices, for instance, Consolidated Power, Railway & Light. The latter is a 6% issue, now selling around 80. The margin of earnings over the dividend requirements is very large. The outlook for public utilities, generally is not as promising as it has been because of the factor of higher cost of operation. Public Utility companies have to pay more for their material and labor, whereas they cannot raise the price of the only commodity they have for sale, transportation. If this country is involved in the war for a long period and high prices for labor and materials continue, the situation will not be a favorable one for public utility companies.

Republic Rwy. & Lt.

C. N. B., Springfield, Ohio.—Republic Railway & Light is now earning at the rate of about 8% per annum for its common stock. An initial quarterly dividend of 1½% on the preferred and an initial common dividend of 1%, both payable January 15, were declared in December, thus placing the preferred stock on a 6% per annum basis and the common on a 4% per annum basis. The company's record is not such as to justify the confident prediction that it will be able to continue the dividend rate of 4% on the common stock after the war. It is now enjoying unusual prosperity, due to the great activity in the industrial centers which it serves. The common stock has rather attractive speculative possibilities.

MINING AND OIL

Alaska Gold's Status

Why This Mining Property Has Not Realized Early Expectations—Incalculable Factors—Prospects for Better Showings—Position of Securities

By BARNARD POWERS

THAT the business of mining is a hazardous one was never more strikingly illustrated than in the case of the Alaska Gold Mines Co. Incorporated in 1912 under the laws of Maine; a year ago the stock of the company was selling around $25 a share and the property seemed on the high road to successful development. At the present writing the stock is selling below its original subscription price of $10 a share and the outlook, to put it mildly, is by no means encouraging.

What happened to Alaska Gold? Organized under the best of auspices by a group of financiers who are noted for their successful development of mining properties; with the ablest engineering talent in the country at its command and with the best kind of banking support, it would seem in its case the ordinary factors which cause or contribute to unsuccessful mining developments had been reduced to a minimum. The more so because Alaska's ore was of the sort known as "disseminated" that is, the gold was distributed in small particles through large masses of earth and rock in contradistinction to "vein" ores. Experience in the case of the "porphyry" copper properties, whose ores are also disseminated, has shown that by extensive drilling and sampling it is not a difficult matter to obtain the average metal content. It was on the basis of experience gained in developing the porphyries that Alaska Gold was developed, but Alaska Gold proved an exception.

In short, while the preliminary sampling and mill tests showed an average gold content to Alaska's ores of about $1.75 per ton, actual milling experience on a large scale produced somewhat less than $1.25 per ton. A difference of only 50 cents a ton but more than 14 per cent. less than originally estimated. Picture in the mind's eye 50 cents worth of gold scattered through a ton of native rock—hardly more than the amount of a pinch of snuff. Yet if the additional 50 cents per ton had been present in the ore treated last year Alaska Gastineau's (the operating company) profits would have been approximately $1,400,000 instead of $451,000, round figures, and there would have been a satisfactory balance on the stock after all charges.

The 1916 Report

The annual statement for the year ended December 31 last, and which has recently been issued tells the whole story in detail, in accordance with the management, policy of full publicity on the company's affairs. The following paragraphs from President Hayden's remarks to the stockholders, are illuminating:

"While the foregoing figures show that the business was operated for the year 1916 at a profit, it goes without saying that the results are exceedingly disappointing. At the time this enterprise was presented to the public it was confidently expected that there would be a profit of approximately 75 cents per ton of ore handled. This profit was estimated on working costs of 75 cents per ton and on recovered values of about $1.50 per ton. The original estimates were based upon mill records of an experimental plant operated prior to acquisition of the property by your company and the most thorough examination of which such a body of ore is susceptible before its actual mining. The recovered values per ton have been much less than were expected, at the same time the working expenses have fully met the original estimates, despite the large increases in the cost of material and labor due to current conditions.

"The scheme of mining, transportation and milling has been worked out in such a comprehensive and economical manner that with the comparatively cheap water power available the costs of operation are less per ton than at any other similar plant of equal capacity of which we have knowledge.

* * *

"There can be nothing but gratification on that score but the average value of the ore as it must be taken out under the only practicable methods of mining applicable to such an enormous ore body has been extremely unsatisfactory. Nor can it be said at the moment that there is any assurance of material improvement in these average values for some time to come. There is a large tonnage of ore developed and broken in the mine, the recovery from which cannot well be expected to differ from the recoveries obtained during the year 1916.

"In the accompanying reports of the Managing Director and of the Manager at the mine, will be found a thorough analysis of the causes which have contributed to the unexpectedly poor earnings from this business to date. In a word, it may be said that in so far as human foresight, ability and industry could have controlled the fortunes of this company, there is not the slightest disappointment; the disappointment, and it is great, has arisen because of factors which it was absolutely impossible to foresee."

Vice-president and Managing Director Jackling strikes a more optimistic note on the company's prospects where he states in his report:

"It is possible, but not probable, that the mine will be productive of profitable tonnages in accordance with former estimates as to quantity. It is certain, however, that the average grade will be somewhat lower than those estimates have shown. Just what the difference will be canot now be told or even estimated with any satisfactory degree of accuracy. A thorough examination and report made by Mr. Allen H. Rogers and a corps of independent geologists and engineers working under his direction late in the summer of 1916 indicated that as to the tonnage then developed and partially developed the difference would probably be about 30 cents per ton. This is equivalent to saying that instead of an average of $1.75 total value the ore reserves on the basis stated amounting to that time to about 5,500,000 tons, might be expected to average $1.45 gross value."

TABLE I

ALASKA GASTINEAU MINING COMPANY

Comparative Profit and Loss Account

	Year 1916		Year 1915	
TONNAGES AND VALUES:				
Dry Tons Treated		1,892,788		1,115,294
Heads: Average per ton		$1.193		$1.1569
Tails: Average per ton		.222		.2190
Recovery in Extraction		81.33%		81.06%
REVENUE:	Amount	Per Ton	Amount	Per Ton
Value of Production Recovered	$1,837,290.74	$0.97068	$1,046,103.79	$0.93796
EXPENSES:				
Ore Production	$727,056.18	$0.38412	$349,202.43	$0.31310
Milling	508,802.06	0.26881	341,183.06	0.30591
Shipping and Smelting Charges	62,397.65	0.03297	52,299.54	0.04690
Administration and Gen'l Expenses	125,004.27	0.06604	51,570.73	0.04624
Total Expenses	$1,423,260.16	$0.75194	$794,255.76	$0.71215
BALANCE—Mining Profit	$414,030.58	$0.21874	$251,848.03	$0.22581
ADD—Miscellaneous Income	36,996.10	0.01954	26,923.45	0.02414
Total Operating Profit	$451,026.68	$0.23828	$278,771.48	$0.24995

Results Last Year

The results obtained by the operating company for 1916 are shown in Table I which accompanies this article. From an engineering standpoint the statement is a remarkable one. The recovery in extraction of 81.33% with total expenses of $.75194 per ton of ore, are better than preliminary and up to the most sanguine expectations. Had Alaska Gold's ores proved to be uniform instead of "spotty," and the ore values in accordance with the preliminary indications the management and stockholders would have every reason to be pleased with the 1916 statement.

Last year the ore treated totaled 1,892,788 tons, or at a rate of somewhat more than 5,000 tons per day. This by no means represents the full capacity. Alaska Gold's mill with an original rated capacity of 8,000 tons per diem has an actual capacity of approximately 10,000 tons daily. During the month of March, 1917, the mill handled an average of more than 7,000 tons daily which is decidedly the best the company has done in any one month. In view of the grade of ore proving lower than originally expected a complete change in the mine development program was determined upon last year. This changed plan entailed opening up the better grade ore indicated east of the shaft for the purpose of encountering the schist ore body on its downward trend and making available a larger tonnage of better grade ore to mix with the lower grade ore developed west of the shaft. Technically this process is known as "sweetening." While this opening up was in process it was decided that no effort should be made to bring the mill to its maximum capacity.

Total operating profits for 1916 were $451,026 which had they all been applicable to the securities of the holding company would have been equal to about twice Alaska Gold's requirements for its bonds and note interest figuring the latter at 6% and without including sinking funds. The operating company has an issue of $3,500,000 bonds of which the holding company owns $3,269,000, and $12,000,000 stock, of which the holding company owns approximately $11,750,000 so that practically all of the earnings of the operating company are applicable to the securities of the holding company. Extensions and improvements last year required not only earnings in excess of Alaska Gold's fixed charges but the major part of the proceeds of the debenture "B" securities totaling $1,500,000 which were issued in February of 1916. The total of series "A" and "B" debentures is now approximately $3,000,000 calling for $180,000 in interest charges annually.

At the end of 1916, according to Manager Thane, the plants of the company in all divisions were entirely complete and no new improvements or constructions of any nature whatever are contemplated. Therefore, there appears to be no need for any further financing and none is contemplated according to President Hayden. The program for 1917 is indicated by the following remarks by Manager Thane:

"We propose during the coming year to carry out the development program outlined in the earlier part of this report with a view of developing higher grade areas of ground to increase the

TABLE II

ALASKA GOLD'S REPORT FOR THE FIRST QUARTER OF 1917

Operating Results	
Tons Milled	541,093
Gross Value	$1.207
Yield	.997
Tails	.2102
Extraction	81.06%
Value Recovered	$0.997
Op. Expenses, less Misc. Income	0.788
Total Profit per Ton	$0.209
Financial Results	
Revenue:	
Gross Value of Bullion and Concentrates Produced	$539,487.68
Expenses:	
Ore Produc. and Transportation	$219,158.31
Milling	138,745.24
Shipping and Smelting Charges	20,771.54
Administr'n and Gen. Expenses	26,361.98
Total Operating Expenses	$405,037.07
Add Extraordinary Expense	25,710.89
Total Expenses	$430,747.96
Balance Mining Profit	$108,739.72
Add Miscellaneous Income	4,303.32
Total Operating Profit	$113,043.04

general average of the ore, and at the same time mining and milling operations will be continued on their present basis with such increase in tonnage as may be warranted by mine conditions. Broken ore in the mine will be decreased to a normal of approximately one million tons, which is considered sufficient for ordinary working conditions, and which is now made possible through the completion of some of the stopes which can now be drawn down."

Alaska Gold's Future

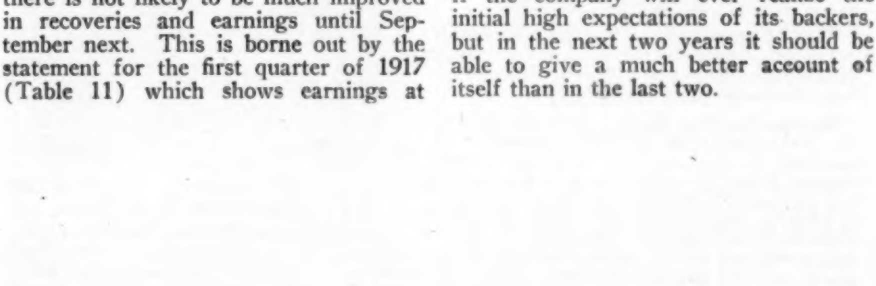
Summing up our study of the causes which led to the decline in Alaska Gold's stock we find the following:

Through developments and conditions which it was impossible to forecast, a considerable tonnage of Alaska Gold's ores proved to contain less gross value of gold than indicated and it is evident that the entire tonnages will average less than the original estimate of $1.75 per ton.

There is good grounds for believing, however, that last year's average gross recovery of $1.19 per ton and net recovery of $.97 per ton represents the minimum of recoveries from this point on. Pending the new and modified plan of development which is now under way there is not likely to be much improved in recoveries and earnings until September next. This is borne out by the statement for the first quarter of 1917 (Table 11) which shows earnings at about the rate shown for last year.

When the mine is in shape to furnish the better grade of ore to the mill the tonnages treated will undoubtedly be increased. Allowing a $1.45 grade of ore as indicated by the most recent engineer's report, a mill run of 9,000 tons a day for 360 days in the year and recovery of 81% as was the case in 1916 and Alaska Gold should be able to earn something like $1,250,000 per annum or about $1,000,000 after all charges. This would be equivalent to approximately $1.35 per share equal to 13½% on the stock's par, and about 21% on its market price at this writing of 6½.

Selling below 70 Alaska Gold convertibles have considerable speculative attractiveness. The stock has speculative possibilities for the long pull. About all the bad news seems to be out and those who have held the stock until now would very likely find, if they should dispose of their holdings, that they had sold at or near the bottom. It will take considerable time for the company to work into a better position but there are excellent prospects of its being eventually able to do that. It is very doubtful if the company will ever realize the initial high expectations of its backers, but in the next two years it should be able to give a much better account of itself than in the last two.



Mining Notes

Alaska Gold Mines.—Report, year ended Dec. 31, 1916, shows 1,892,788 tons of ore milled, with an average yield of 97 cents a ton, making the gross income $1,-836,004, a gain of $787,627 over the result of the preceding year. After operating expenses were accounted for the net yield per ton of ore in 1916 was no more than 23.8 cents per ton, against 24.9 cents the preceding year. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $461,378, compared with $356,699 Dec. 31, 1915. The 1916 profit per ton was 23.828 cents, against 24.995 cents in 1915. Mine production is now closely approximating a rate of 7,500 tons per day.

Anaconda Copper.—Reported April production of copper as 29,300,000 pounds, compared with 31,300,000 in March, 25,000,000 in February and 28,250,000 in January. Report, year ended Dec. 31, 1916, shows net profits of $50,828,372. Gross income, including metal on hand, totaled $150,540,687, compared with $87,386,809 in 1915. Sales of copper, silver, lead and gold amounted to $96,-097,709, compared with $61,473,677 in the previous year. Surplus for the year of $33,-343,997 showed income $25,973,189 over 1915. Total profit and loss surplus amounted to $48,395,862. The 1916 net profit of $50,828,-372 is equivalent to $21.80 a share earned on 2,331,250 shares of capital stock, compared with $7.16 a share earned in 1915. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $48,395,862, compared with $15,051,865 Dec. 31, 1915.

Atlas Copper.—Is averaging one 40-ton car of 4% copper ore per week from surface openings, according to a dispatch from Mine Superintendent R. J. Young.

Braden Copper.—Report, year ended Dec. 31, 1916, shows the combined statement of earnings of this company and the Braden Copper Mines Co. as follows: Gross operating revenue, $12,648,111; net operating profit, $7,590,455; net income, after taxes, interest, miscellaneous charges, $6,287,434. Combined balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $5,478,705. Production in 1916 amounted to 42,153,270, and the average net price realized for copper during the year was 26.35 cents a pound. The average net cost was 8.03 cents a pound.

Butte & Superior.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $5,610,722, compared with $6,237,965 Dec. 31, 1915. This company's 1916 net income of $8,873,446 is equivalent to $30.57 a share earned on 290,187 shares of capital stock, compared with $33.47 earned on 272,-697 shares in 1915.

Cerro de Pasco Copper.—Report, year ended Dec. 31, 1916, shows: Dividends from subsidiary companies, $3,670,000; total income, $3,673,528; net after taxes, expenses and interest on bonds, $2,854,216; surplus after dividends, $187,552. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $391,652. The 1916 net income of $2,854,216 is equivalent to $4.28 a share earned on 666,666 shares of capital stock outstanding.

Chile Copper.—The N. Y. Stock Exchange admitted to the list Chile Copper Co., $35,-000,000 part-paid and full-paid receipts for collateral trust receipts 6% convertible bonds, Series A, "when issued," to be traded in flat, and that it had admitted to dealings Chile Copper Co. rights.

Consolidated Arizona Smelting.—Report, quarter ended March 31, 1917, shows net profits of $253,713, compared with $160,479 a year previously. Production in the period amounted to 4,780,000 pounds of copper, 1,758 ounces of gold and 48,251 ounces of silver. In the first three months of the previous year 1,681,000 pounds of copper, 905 ounces of gold and 12,903 ounces of silver were turned out.

Davis-Daly Copper.—In January, February and March earned net profits in excess of $73,000. Cash on hand amounted to over $100,000. Shipments from lower levels continue to show high grades of copper ores, assaying from 9% to 16% copper and better. The company is planning to increase its zinc output as soon as the Hibernia claim can be opened up.

Federal Mining & Smelting.—Reports March net earnings, after all deductions, including depreciation, of $151,664.

Hancock Consolidated. — Report, year ended Dec. 31, 1916, shows total receipts of $875,202 and total disbursements of $771,-514, an excess for receipts of $103,687. During the year the company received $117,016 in assessments. The company in 1916 produced 2,824,934 pounds of refined copper, as against 871,124 pounds in 1915. It marketed 2,690,859 pounds at an average price of 28.093 cents per pound.

Hedley Gold Mining.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $443,687, compared with $435,070 Dec. 31, 1915. The 1916 net profits are equal to $2.07 a share earned on 120,000 shares of capital stock, as compared with $3.12 a share earned in 1915.

Kennecott Copper.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $18,915,228, compared with $6,573,797 Dec. 31, 1915. The 1916 net income of $27,-661,713 is equivalent to $9.92 a share earned on 2,786,679 shares of capital stock. The company now owns 600,004 shares of the Utah Copper Co.; that 404,504 shares have been purchased from the Guggenheim Exploration Co. at about $75 a share and subsequently 195,500 shares at $109.376 a share.

Nevada Consolidated.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $12,353,643, compared with $4,-

849,556 Dec. 31, 1915. The 1916 surplus after charges and depreciation of $15,002,050 is equivalent to $7.50 a share earned on 1,-999,644 shares of capital stock, compared with $2.78 a share earned in 1915.

Nipissing Mines.—Reported ore mined during March as valued at approximately $256,953. During the same period bullion from Nipissing and customs ore contained an estimated net value of $401,038. The high-grade mill treated 117 tons and shipped 533,561 fine ounces of bullion. The low-grade mill treated 6,415 tons. Balance sheet, as of Dec. 31, 1916, shows profit and loss surplus of $13,139, compared with $7,895 Dec. 31, 1915. The 1916 net income of $1,-805,243 is equivalent to $1.50 a share earned on 1,200,000 shares of capital stock.

Ontario Silver.—The shaft, which collapsed, flooding the workings, has been retimbered and rebuilt and is in good condition. The unwatering of the 1,700-foot level had permitted operations on new grounds and uncovered an ore body 30 feet wide.

Ray Consolidated.—Reported a production of 8,006,843 pounds of copper in March, 1917, compared with 7,177,898 in February and 7,767,663 in January.

United Verde.—Paid the regular monthly dividend of 75 cents and an extra of 75 cents. With this payment the company has distributed 22 consecutive monthly dividends of 75 cents and in addition has paid all extras of 75 cents each.

Utah Copper.—Produced 15,512,676 lbs. of copper in March, 1917, compared with 13,459,-829 in February, and 13,913,811 in January.

Mining Inquiries

Consolidated Arizona

B. P., Scranton, Pa.—Consolidated Arizona Smelting has made very satisfactory progress during the past year. The stock is as yet considerably removed from becoming an established dividend payer. The management of the company is working along sound lines and the smelting and mining costs have been reduced materially in the last year or two. Still the company is a high cost producer and it is doubtful if it can show any margin or profit at all with copper less than 14c. or 15c. a pound. The stock must therefore be regarded as in a speculative position, since the company is now benefiting from extraordinary prosperity in the copper industry and cannot expect to maintain earnings at the present rate indefinitely. As a speculation, the stock has possibilities, but we do not recommend it under present uncertain market conditions.

Superior Copper

W. H. M., Chicago, Ill.—You would do better to hold Superior Copper than to switch into Distillers Securities at this time. The stock has been recently depressed because of the set-back in copper metal prices, it being realized that any considerable decline would affect the earnings of the company materially, for it is a high cost producer and could not make much money on normal copper prices. It would not be advisable, however, for you to sacrifice the stock now, although we cannot encourage you to hope that you will get out of it even, unless there are some unexpectedly favorable developments.

Copper Stocks

M. C., Philadelphia, Pa.—The copper stocks generally are not in as favorable a market position as the steel and equipment issues, one factor making against them marketwise, the fear that concessions will be made in copper prices to the Allies as well as to the United States Government, has caused considerable liquidation lately of the copper stocks. The effect of this liquidation has been emphasized because of the fact that the coppers were in a more or less vulnerable position, since they had recently been the favorites among small buyers and were to a large extent in the hands of weak holders. The decline in these issues, especially in the high grade stocks like Chino and Anaconda, has been very heavy. These stocks will bear watching with a view to purchasing if the market situation takes a favorable turn. Just now we are advising against fresh commitments until the atmosphere clears.

Iron Blossom

S. A. B., New York.—Iron Blossom is not an investment. It is a risky speculation, but as a speculation, it has some attractive features. If you are holding the stock as an investment, we suggest that you get out of it, but if you are willing to assume a certain amount of risk, it might be inadvisable for you to sell it, especially if you would have to do so at a loss.

Mining Speculation

S. P. A., Glen Cove, L. I.—Under present very uncertain market conditions, it is a most inopportune time to purchase stocks of as highly speculative a character as Butte & Detroit, Hargraves or Loraine. Even in a favorable market these stocks would be risky speculations. We have not generally been recommending any of them.

Anaconda

L. B. A., Denver, Colo.—It depends a good deal what price you paid for Anaconda Copper as to whether or not you ought to sell it on any further rise. If you paid a higher price than now current, which is around $80 a share, it would be a good idea for you to take advantage of a substantial advance to sell. However, if you purchased the stock at a lower price than now current and are holding it simply as an investment, we recommend that you keep it for you are receiving very handsome dividend returns and Anaconda is probably in a better position than most of the copper stocks to continue its present dividend, even should there be a big drop in copper metal prices.

St. Joseph Lead

M. S., New Orleans, La.—St. Joseph Lead is selling on a somewhat speculative level. You would do well to get out of the stock on any substantial rally.

Boston & Montana

M. S., Wellesley, Mass.—Boston & Montana has some merit, but this company's mine is a largely undeveloped affair. We have not been favorably impressed with the very flagrant market manipulation of the stock in the past. The annual report awakened no enthusiasm.

American Zinc

A. N., New York City.—American Zinc preferred is certainly protected by a very large margin of earnings and there is no reason to apprehend that the dividend cannot be maintained even under very much less favorable conditions. The market has more or less ignored this and the stock, we believe, is selling unduly low. This is not the kind of a stock that it is advisable to lock up for a permanent investment; that is, it should be watched carefully, for the business which the company is engaged in is subject to such violent fluctuations that there is practically always a certain element of speculation in the future. We recommend, however, that you hold the stock for the time being.

The Other Side of the Oil Question

Reply to the Article "Inflation in Oil"—Consumption Now Exceeds Production—Mexico the Unknown Factor

By EDGAR D. POUCH

IN the April 14 issue of THE MAGAZINE OF WALL STREET there appeared an interesting article under heading "Inflation in Oil." While the author handled his subject with much ability there are certain observations and conclusions with which I am unable to concur, for it seems to me that a chance reader of the article on Oil in your magazine may get a wrong impression of a very big subject. If the charge of "inflation" refers to the price of crude oil, it is far from correct; if it refers to securities of irresponsible oil companies, that is another matter.

U. S. Petroleum Resources

In the first place, due importance should be attached to the scientific study of the petroleum resources of the United States. Geologists have honestly sought to determine exactly what the exhaustion of the petroleum resources are to date, showing the present and future supply and demand, as near as possible, and have also investigated the question of the estimated production of the principal oil fields in the next decade.

A very careful analysis of the petroleum resources of the United States was published by the Government printing office at Washington in 1916, under the head of "Document No. 363," especially compiled for the 64th Congress of the Senate, by the Consulting Engineer of the Bureau of Mines, M. L. Requa.

Geologists have been "combing" this country for oil indications of any and every kind, for years and years. The Government has kept careful reports of drillings (whether successful or unsuccessful) of different subterranean conditions that have been proven thereby, from which the U. S. Geological Department has been able to estimate, within a remarkable degree of accuracy, the amount of oil in saturation in certain well-defined sands, including thousands of acres which have not as yet been "drilled up." From the point of view of the producing oil men, many of these large tracts cannot be called "proven," but so far as science is concerned, or at least the Bureau of Mines, they assume that the oil-bearing sands are present, and have made their calculations accordingly, in estimating the total amount of possible oil which can be produced in this country.

In the report referred to (compiled in 1908), a table shows estimated minimum and maximum of total yield of petroleum fields in the United States, as follows:

	Minimum	Maximum
Appalachian field	2,000,000,000	5,000,000,000
Lima-Indiana field	1,000,000,000	3,000,000,000
Illinois field	350,000,000	1,000,000,000
Mid-Continent field	400,000,000	1,000,000,000
Gulf field	250,000,000	1,000,000,000
California field	5,000,000,000	8,500,000,000
Minor fields	1,000,000,000	5,000,000,000
Total	10,000,000,000	24,500,000,000

Subtracting from this table the amount of oil already taken out of each field, would leave the remaining amount recoverable under the poorest conditions, as well as under the best conditions. This wide discrepancy between minimum and maximum is unavoidably due to different methods of extracting the oil from the sands. Allowance must be made for improved methods and scientific developments, which naturally spring into use as the price of crude rises.

In February, 1916, the Geological Survey submitted an estimate that 7,600,000,000 barrels of oil remained unproduced in our fields. What will the demand be five years from today?

Mexican Situation

The Mexican situation in the oil industry is *now* the unknown factor. As it appears to me, Mexico is the only country that can change the present trend of crude oil prices. If Mexico were opened up properly, with sufficient shipping facilities to carry its present production—without drilling any more wells—the price of crude oil would remain fairly stationary, in my judgment. If Mexico remains in its present uncertain condition, and unless the cost of water transportation declines considerably, the price of crude seems certain to increase for several years.

Production versus Consumption

The Government report of 1908 indicates an estimated supply in the United States for about 28 years, assuming the annual consumption remains stationary, that is, at 266,000,000 barrels. This, however, does not tell the entire story, for two reasons: First, because the rate of consumption will *not* remain stationary, but must inevitably increase. Second, because the decline of production of our oil wells is almost impossible to estimate in advance, being very different for different fields.

If we assume an annual increase of 5% of the previous year's production, from 1915 to 1925, it would be necessary to command a production of 400,000,000 barrels in 1925, to meet the demands of annual consumption. The question is, of course, where this enormous supply of crude oil must come from each year. Mexico may help, as suggested above. The present indications, however, of early assistance, are not good.

One of the greatest geologists in our country (in an address before scientists some months ago) claimed that the production of crude oil in this country ten years from now would be half of what it is today. These scientists count on considerable new development, and are not surprised or disappointed when some new section has an oil boom. Many of these developments are counted on in their estimate. Cushing, with its sudden spurt, only surprised them in the matter of speed—not in total production, over a period of several years.

Recent oil storage statistics show that consumption is now exceeding production by 2,000,000 barrels of crude per month; 93,700,000 barrels were in storage in Eastern and Mid-Continent fields on April 1, and in California about 42,000,000 barrels. This is only a five-year supply above ground at present, if the demand and supply remain stationary.

Those oil men who constantly talk about cheap crude oil are either refiners or people who depend on the cheapness of oil for their daily bread. In the early days of the industry, forty years ago, they went through certain scares about oil being depleted, but geology *then* had not been developed to the scientific basis it has today. The geologist is not claiming that the next generation will have *no* oil, but begs them to conserve the oil resources of this country intelligently.

Changed Conditions

The author of the article mentioned has also apparently forgotten the changed conditions in the producing fields, following closely the dissolution of the Standard Oil Company. Some time elapsed before the Interstate Commerce Commission passed the laws regulating pipe-line companies, all of which put the producer in a very different position than he had been prior to the Standard Oil suit. The Standard Oil Company had never needed to control more than approximately an eighth of the production business of this country, in order to assure themselves of a fair price for crude oil. They were obviously not interested in the speculative end of the industry—namely, the production of oil. So long as they could control transportation, through their pipe-line system, they could influence the price of crude to a very large extent, that is, for shipment to large refining centers.

I, personally, doubt very much that the activity in the Oklahoma producing field would have come as soon as it did, by many years, had the Standard Oil suit been decided *for,* instead of against the company. Of the four departments in the oil industry today—the producing, transporting, refining, and merchandising—the Standard Oil Company has the greatest influence (excepting California) in the merchandising, and the least influence in the producing field.

The author has sounded a note of warning, which is very commendable, and which I approve of thoroughly—in connection with irresponsible oil companies. My complaint is that he has used arguments about crude oil which

I contend are not based on facts, and give a wrong impression of the producing end of the oil industry.

Conservatively Operated Concerns

The reported statement by Mr. Weller, of the Standard Oil Company (which appeared in many newspapers last winter), has a pointed, qualifying clause that is worthy of careful thought—"However, concerns that have been *conservatively operated* will probably, on account of the demand, continue to enjoy prosperity during the current year." No one wants an investment in a company that is not managed conservatively in the first place, and also the "current year" seems to be as far as he is willing to prophesy, with such a conservative statement.

If one is interested enough to follow the number of new wells drilled each month, and also the record of the successful ones each month, comparing with the corresponding month of the previous year, a great deal can be learned. For example, the period of 1915, as compared with 1916 in the Mid-Continent Field, is cited.

The Cushing pool, which came in so suddenly in 1914, and which flooded the local Oklahoma market, naturally discouraged new drilling, because of a production of 300,000 barrels a day. This lasted only a few months and dropped to under 100,000 barrels a day. The following Spring showed the return of confidence, to the drillers, and the search for a similar Cushing pool has produced nothing in the past two years, in spite of the almost high record price for crude oil.

One very good point (if true) that the author makes compares the refining capacity of the country today with several years ago—claiming that it has caught up, or now probably exceeds the refining requirements of the present time, because refined products have not advanced nearly as fast as crude oil. This remark about prices of refined products is hardly borne out by the figures I have been given, particularly in lubricating oils, fuel oils, etc. Refining capacity may now more nearly equal production, but no one can claim (it seems to me) that it has necessarily caught up to the demand of the consumers of petroleum products.

I have sought to give a brief idea of the complications of this subject, and also to show that if the price of crude oil is inflated—what has taken place will not be a circumstance to what will take place in the next five or ten years, unless science develops a new fuel, which can be produced cheaper than the present prices of fuel, of one kind and another.

The outcome of peace negotiations will not be a factor (in my judgment), unless in some mysterious way the cost of transportation suddenly returns to normal, and unless Mexican oil fields are completely opened for thorough exploitation.

GASOLINE GIVING OUT?

According to William M. Burton, gasoline authority of the Standard Oil Company of Indiana, gasoline supplies of the United States will be exhausted in a year unless measures are taken immediately to conserve them. The 1917 production of gasoline will be 2,500,000,000 gallons, of which 2,000,000,000 will be for home consumption, leaving 500,000,000 gallons for export.

Pity the poor rich man who can travel only in an auto. Meanwhile machines go up, keeping pace with gasoline. Can anyone explain it?

Oil Notes

Atlantic Petroleum.—Purchased the holdings of Curtis & Aiken in the Okmulgee (Okla.) pool, consisting of 40 wells and a daily production of 400 barrels. The purchase marks the initial buy of production of that company.

Empire Refining.—Montgomery, Clothier & Tyler, Kissell, Kinnicutt & Co., and Henry L. Doherty & Co., managers of the syndicate which underwrote the $7,000,000 Empire Refining Co. first mortgage and collateral trust 10-year 6% sinking fund gold bonds, due 1927, have sold the entire issue, but the syndicate will be kept alive until July 1 unless sooner terminated by the managers.

Honolulu Consolidated Oil Co.—Report, year ended March 31, 1917: The San Francisco *Chronicle,* April 25, 1917, stated that this company's report for the period showed production as 1,730,147 barrels, with a value of $1,351,179,as compared with $937,220 received from the sale of 1,832,128 barrels the previous year. The average price per barrel was 78.09 cents, as compared with 49.53 cents for the previous year. The company closed the year with a balance of $1,891,719, after dividends.

Indian Refining.—Declared a dividend of 5¼% on account of accumulated dividends on the pfd. stock, payable May 26 to stock of record May 10.

Ohio Oil.—Five cents a barrel was added to the price of oil by this company at its general offices in Findlay, O.

Penn-Wyoming Oil Co., Philadelphia.—On April 30, 1917, the company filed notice at Dover, Del., of an increase in capital stock from $2,000,000 to $5,000,000.

Pure Oil.—Declared the regular quarterly dividend of 6% and an extra of 4%, both payable June 1 to stock of record May 15.

Savoy Oil.—Declared a dividend of 6%, payable June 25 to stock of record June 11. The previous dividends were 1% and 1% extra, declared Nov. 30, 1916.

Sinclair Gulf.—A deep oil-bearing sand has been found on this company's acreage in the Healdton field, Okla. According to Sinclair Gulf representatives in the field, a well has been brought in on the Holman property which is good for 400 barrels a day. On this same property four other wells are producing from the regular Healdton sand. On May 1, 1917, the *Wall Street Journal* stated that an oil well, which was brought in on this company's acreage with an original flow of 20,000,000 cubic feet of gas daily, had been deepened and has a natural flow of 500 barrels of oil daily. This well is in a 5,000-acre tract on the Damon-Mound property, Texas. Sinclair Gulf has a half interest in the property, which is near the site on which the corporation will build a large refinery. On account of its location and size the new well is regarded as of special importance.

Standard Oil of Indiana.—Declared the regular quarterly dividend of 3% and an extra of 3%, the same as three months previously. The company has advanced the price of gasoline 1 cent a gallon throughout all its territory. Refined oil was advanced ½ cent a gallon.

Standard Oil of N. Y.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $68,635,573, compared with $26,463,254 Dec. 31, 1915. The 1916 net earnings of $36,638,495 is equivalent to $48.85 a share earned on 750,000 shares of capital stock, compared with $21 a share earned in 1915.

Texas Co.—On May 1, 1917, the New York Stock Exchange announced that it had stricken from the list this company's full-paid subscription receipts for capital stock.

LITERALLY SPEAKING

A prominent commission house recently sent out a letter on the general situation in the commodity markets. In it they advanced the opinion that the food-hoarding movement that followed the declaration of war with Germany had about run its course, and that the public was fairly well stocked with supplies. They therefore predicted a decrease in demand for all commodities in the near future. Especially, declared the letter, would this be true with regard to canned goods, because approaching new crops would soon make fresh fruits and vegetables available. A few days later the commission house received the following telegram;

"Think your commodity dope excellent. Sell me short two cans beans, one can corn, one can tripe."—*Wall Street Journal.*

Oil Inquiries

Texas Co.

W. C. A., Bridgeport, Conn.—Texas Co. is a stock which has wonderful possibilities as a long pull proposition, but the oil industry, as you know, is subject to violent changes from periods of prosperity to periods of depression. Since we have had such a prolonged boom, it would be entirely contrary to precedent if there was not a more or less violent change in the opposite direction sooner or later. In the next period of depression for the oil industry, Texas Co. should prove an excellent purchase to hold for speculation and investment.

Cosden & Co.

J. T., Jamestown, N. Y.—Cosden & Company has slumped recently in sympathy with the general set-back in prices of oil stocks. The reason for its decline is technical rather than because of any unfavorable development in the commercial side of the company's affairs, although the stock undoubtedly felt the influence of selling due to the issue of the Federal Trade Commission's report on the oil industry, which report claimed that gasoline prices were held at artificially high levels and indicated that steps may be taken by the Government to regulate prices. Of course, a company like Cosden, with its very large earnings on capital invested, would feel seriously the effects of any excess profits taxation, but, provided the present rate of earnings is maintained, a tax of 25% should not interfere at all with the continuation of dividends other things remaining equal.

To our minds, this is a time for caution in the purchase or holding of practically all oil stocks, because, notwithstanding the generally bright outlook for a continuation of prosperity in the oil industry resulting from high prices and big demand, there is the possibility of a reversal in the situation. History affords no precedent in the oil industry of a sustained boom that has not been followed by a more or less serious depression and we do not think the present boom will be an exception.

Midwest Refining

A. S. W., New York City.—The Midwest Refining Co. is capitalized for $20,000,000. This company has very large resources and is a substantial and efficient organization in every way. Its earnings last year equalled about 50% on the outstanding stock, or approximately $10,000,000. The company owns a large modern refinery at Casper, Wyoming, and controls the refining facilities of the Greybull Refining Co. at Greybull. It is also a producer of oil in the Wyoming fields on an extensive scale and owns some very valuable proven properties, which it is estimated have a large potential production.

Regarding the expansion of the company, the President, H. N. Blackmer, in submitting the annual report to the shareholders, makes the following statement:

"The Midwest Refining Co. has acquired $8,000,000 of the common stock of the Greybull Refining Co. (being the entire amount of the common stock issued), and $1,200,000 of the preferred stock of that company, leaving outstanding $800,000 of the preferred stock, retirable at the option of the company at 110. The above stock was paid for partly in cash, and partly in Treasury Stock of the company. The Greybull Refining Co. balance sheet is also submitted herewith for your information.

"During the year the company has increased its refinery capacity at both Casper and Greybull. The oil production controlled by the company has been increased in the various fields in which we are interested. We have also secured leases and stock ownership in other producing properties in the newly-developed Big Muddy oil fields, eighteen miles from our refinery at Casper."

The recent advance in the stock has been accompanied by a report that control has been acquired by Standard Oil interests, or people identified with the Standard Oil organization. The stock of the company has been placed in a voting trust and it is thought that the trustees represent the Standard Oil interests. If that is the case, the effect on the stock should be very favorable since the Standard Oil control would mean the development of the company by Standard Oil methods.

While Midwest Refining has big possibilities over a period of years, we do not recommend the stock either as a speculation or an investment at this time, for if anything occurs in the near future to mar the present prosperity in the oil industry, the price would probably go a great deal lower.

Three Oils

M. V. Elmhurst, L. I.—Alpha Oil & Gas Co. was incorporated on December 26, 1916, in Delaware, with a capital of $500,000 to acquire and develop oil and gas lands. We know of nothing more important than the incorporation of the company.

Kenova Oil is a prospect and one of very little merit, so far as we can learn. It is supposed to have acquired leases in Kentucky, near proven oil territory.

American Ventura is reported to own 420 acres, near the Moor Park, California, section. It is stated that the company is producing oil from one well and has complete equipment for further operation on the property. There is nothing about the company to grow enthusiastic over.

Wayland Oil & Gas

M. S. T., Baltimore, Md.—Wayland Oil & Gas has been a very disappointing proposition and while it is possible that this company will be able to increase its production and its earnings by the bringing in of new oil wells in the near future, such a development is by no means certain. We do not favor the purchase or holding of the stock.

Unlisted Security Notes

Aetna Explosives.—Receivers of this company were authorized by Judge Mayer, of the Fed. Dist. Court at N. Y., to deliver the munitions that have been finished so that they could receive payment and thus be provided with money to carry on the business.

American Brass.—Declared the regular quarterly dividend of 1½% and an extra dividend of 11%, both payable May 15 to stock of record April 30. Three months previously the same amount was declared.

American Chicle.—Report, year ended Dec. 31, 1916, shows: Gross profits, $727,527, against $548,934 in 1915; net profits, $567,445, contrasted with $413,769 in 1916. The balance sheet as of Dec. 31, 1916, shows cash, $297,108; notes and accounts receivable, $600,969; investments, $1,369,494; notes and accounts payable, $985,486; profit and loss surplus, $299,046, and total assets and liabilities, $14,706,089.

American Molasses.—Filed notice at Albany, N. Y., of an increase in capital stock from $600,000 to $3,500,000.

Booth Fisheries.—The board of directors will recommend to the common stockholders of record April 30 that, at a special meeting of the common stockholders, to be held May 2, they shall change the number and par value of the authorized common stock shares from 100,000 shares, par value $100 each, to 500,000 shares of no par value.

Borden's Farm Products.—After May 1 will take over the business handled by the farm products department of the old company. This includes the business in fluid milk, cream, butter, eggs and the wagon business of the Borden organization.

Canadian Fairbanks-Morse.—Report, year ended Dec. 31, 1916, shows profits, after providing for depreciation of plant and special equipment, and after providing for taxes payable under the business profits war tax act in respect of profits for the years 1915 and 1916, were $636,629, and the surplus carried over from 1915, $697,836, making $1,334,466 available for allotment. From this was paid preference dividends, $45,000; common dividends, $160,000, and the surplus was carried forward of $1,129,466.

Canada Steamship Lines.—The new British order requisitioning all vessels under the British flag will not have any material effect upon the earnings of this company. Nine-tenths of the fleet are under charter of the French Government and are not available until February, 1918, at the earliest.

Carwen Steel Tool.—Declared the regular quarterly dividend of 2% and an extra of ½%, both payable May 10 to stock of record May 1.

Curtiss Aeroplane & Motor.—Received another large order from the British Government. A deal is one for a $50,000,000 order from the United States Government.

Dow Chemical.—Declared the regular quarterly dividend of 1¾% and an extra of 6¼% on the common stock, payable May 15 to stock of record May 5.

Hercules Powder.—Three months ended March 31 shows earnings of: Gross, $13,548,610; net, $1,858,938, and a surplus of $1,765,312. The surplus of $1,765,312 is equivalent to $24.68 a share earned during the quarter on 71,500 shares of common stock, compared with $67.80 a share earned in 1916. Balance sheet, as of March 31, 1917, shows a profit and loss surplus of $12,931,248, compared with $9,453,173 March 31, 1916.

International Salt.—After deducting all charges for operation and depletion, the combined gross earnings of the subsidiary companies were $1,034,681. After payment of interest on all bonds and notes and the proportion of earnings due on the stock of subsidiaries held by others, the net profits were $667,439, which equals 11% on the $6,077,130 par value of capital stock outstanding.

Olaa Sugar.—Report, year ended Dec. 31, 1916, shows a profit on the year's crop of $538,446. Other receipts, together with balance carried over from the previous year, total $676,589. The company closed the year with a balance of $225,220, after meeting dividends, labor bonus and bond-sinking requirements. Dividends paid (the first received by the stockholders) for the year were $242,751.40, approximately $1 per share on the 250,000 shares.

Otis Co.—Declared an extra dividend of 10%, in addition to the regular semi-annual dividend of 5%, payable May 1 to stock of record April 25.

Republic Motor Truck.—Unfilled orders on hand are for more than 6,000 trucks.

Stromberg Carburetor.—Gross sales, first quarter of 1917, were $413,000, an increase of 55% over a year previously. Net profits for the same period were $89,500, an increase of 42% over the March quarter of 1916.

United States Playing Card.—Filed notice at Columbus, O., of an increase in capital stock from $1,000 to $3,600,000.

Wright-Martin.—Better production is being secured at this company's plant, and there are indications that the production of Hispano-Suiza motors will be between 40 and 50 during May. The 21st and 22d Hispano-Suiza motors produced have been accepted by the French Government, which placed an order for 450 with the company. The 23rd and 24th motors are on the testing blocks. The company is producing an average of one Simplex motor car a day. The company has taken an order for 16 aeroplanes for the United States Government. A comprehensive plan for financing and reorganizing the company is under discussion.

TOPICS FOR TRADERS

War, Peace and Prices

What Happened in the Stock Market During Previous Wars in Our History and the Readjustments Which Took Place with the Return of Peace

By THOS. L. SEXSMITH

IN the earlier copy books at school there appeared a familiar text, "In times of peace prepare for war." It was accepted as a matter of course and the gospel of preparedness so tritely expressed by that homely phrase was adopted and applied to all the ordinary demands of life. Existence itself implies warfare, and when things are breaking good for the individual, if he be a prudent man, and especially if schooled in experience, he will prepare for the coming of the evil day.

Individually, the people of the United States believe and have always believed in the principle of preparedness. The first desire of the immigrant to this country, after he has established himself and begins to raise a family, is to see that his children receive the advantages of an education which will fit them for successful careers. Preparation through education is the highest possible application of the principle.

Whatever the reason may have been for the lapse, this country until quite recently could not bring itself squarely to the task of making adequate preparation for the emergency of war. For over two years we looked war straight in the face, and never as much as rolled back our shirt sleeves as a sign that we understood the most elemental of the preliminaries of battle.

There are those who maintain, with a great deal of warmth, that the principle reason that the nation is now in a state of war is to be found in the very fact that we did not start to roll up our sleeves years ago, and by so doing serve due notice on all who might feel inclined to encroach upon our rights on land or on sea that we were amply prepared and perfectly willing, if the issue was to be raised, to protect with all necessary force, any infringement on our honor or our rights. The question is one for debate. The fact is that we did not prepare for war neither in times of piping peace, nor even in those times which threatened war, and we are at last at war, and likely to get into it well up to our precious necks before the unpleasantness is happily concluded.

Now, this article has nothing to do with preparedness in the military sense of the term. We can well leave that to those who are eminently qualified to take care of the exacting demands of the situation. It is written for those who are interested in the stock market, and who for more or less selfish reasons, granted, wish to prepare themselves for such changes as the progress of the war, and the final re-establishment of the blessing of world-peace, may be expected to bring about.

What Happened in the Past

How shall we prepare for the peculiar investment and speculative situation which is partly the result of our entrance in the war, and how shall we prepare, also, for the coming of peace? How else except through the exercise of intelligent review and research into the history of the past, comparing conditions as we find them today, modified and expanded as they are by the unprecedented situation of the present, with those known to have existed at other times when the nation was at war, endeavoring from such comparison and examination to map out a course of action which may lead to the conservation of funds already possessed and to possible profit? Fortunately we have in the stock market records of the past something definite to go by, something concrete from which to draw conclusions.

It is hardly practical to go further back than the Civil War period for comparison. In many respects conditions prevailing then have their counterparts in the present situation, when due allowance is made for the vast change which has taken place in all lines of activity since that time. Of course, no two periods in history are exactly alike, no more than are any two movements in the market equal in all respects. But history, as the saying goes, has a way of repeating itself, and this is also true of the stock market. Studying conditions, we look for points of similarity between the past and present and base our predictions for the future upon that which our study yields. There is nothing absolute in the results obtained from comparative study of this kind, but it is of value, nevertheless.

Conditions Prior to Civil War

The ten year period which preceded the opening of the Civil War, in 1861, was marked by one of the traditional booms in the first half of the period and by the inevitable depression in the following half. The depression in business lasted about four years, and while there was some upward movement in stocks in the early part of the year 1857, there was steady liquidation thereafter until 1858. A panic occurred in the latter part of 1857, and long after the stock market had succeeded in adjusting itself to the changed conditions and had absorbed and digested all offerings of stocks at the lowered price levels, declining prices continued to be the rule for the products of farm, mill, mine and factory, and business generally went steadily from bad to worse. It was this period of abject dullness and discouragement which marked the end of the depression, although stirring events were soon to take place. In 1860 a small improvement began, but like nearly all the first such to follow a period of hard times, it was short lived.

Semi-Panic Late in 1860

President Lincoln was elected in November, 1860, and immediately thereafter the situation became tense. Within one month's time stocks declined between $7 and $16 per share, and for the first time in its history the New York Clearing House was compelled to issue loan certificates to the amount of $7,375,000 in order to carry the banks through the monetary stringency.

When it was seen that after all the country was not going head on to utter ruin, a rally occurred in December, after which there was another decline into April, when the first shot of the war, fired on Fort Sumter, brought on a sudden semi-panic which marked the lowest prices to be seen in stock market from that time until the present.

From the low prices established in the sharp break of April the course of average prices was almost continuously upward for more than three years. The real bull market in stocks did not begin in earnest until 1862, the previous year being used largely in making the necessary accumulative preparation for the bull movement. The passage of a genuine protective tariff on March 2, 1861, proved a great help towards prosperity, but it was undoubtedly the stimulus of the extraordinary war demand for all kinds of foodstuffs, manufactured articles and munitions which made the great "war boom" possible.

New Money Helps the "War Boom"

An effective impetus to the general upward movement of prices was given by the government's issue of $431,000,000 in greenbacks and the expansion of paper money from $207,000,000 in 1860 to $833,719,000 in 1864. Business in all lines was active and everybody not fighting at the front made money. In Wall Street and in manufacturing lines, in government contracts and in commissions vast fortunes, vast in standards of wealth of the day, were piled up by thousands of people.

"Top" of Boom Is Reached

Then something cracked. Unheard of amounts had been devoted to speculation, and the banks of New York were forced to resort, for the third time, to loan certificates issued through the Clearing House, $11,471,000 being issued during November, 1863 to relieve the heavy strain on credit. The top of the boom was near when it became necessary to thus artificially sustain the dizzy pace of business. It arrived duly in April, 1864, although some issues sold still higher later in the year.

The "bull move" during the Civil War was one of the largest in the history of our markets. A selected group of road stocks advanced over 100 points from April, 1861 to April, 1864, on average, and there were individual stocks which had attracted large speculative followings which went up from 100 to 189 points. Trading in stocks in those days was in modest volume compared with the daily turnover of the present. One hundred shares then constituted a good sized lot.

Some Record Prices in 1864

The extraordinary demand for anthracite coal made it possible for the influential people interested in Delaware & Hudson R. R. (which on extensive selling largely for the short account broke sharply to $106½ on the day this article is being written) to bull it up to $254 the share. It has never since sold as high, and Erie, which in 1864 sold up to $126, throughout all its rather unique career has never again reached its Civil War figures. Reading, another anthracite stock which at present is under considerable pressure, sold as high as $165 in 1864, which compares favorably with its current price, on the new basis of par valuation, $180, considering the great increase in value which has accrued to its coal holdings, the increase in wealth along its territory and its vastly enhanced earning power.

The crash of 1864 began with the failure of Anthony W. Morse, who was charged with the responsibility for having manipulated the price of Fort Wayne stock from $82¾ in January to $152¾ in April. In May, after the failure of its sponsor, it gave the distressing exhibition of dropping sheerly to $47½. The general market held up fairly well in the face of the performance in Fort Wayne, but in June good, bad and indifferent stocks alike started on the toboggan and they were never effectually checked in their downward course until the Spring of 1865. However, the downward trend of prices, begun in 1864, continued until 1877, practically thirteen years. Short bull movements interrupted the main trend from time to time, but each recurring downward movement carried prices on average lower than the previous decline.

No "Peace Boom" in 1866

No "peace boom" immediately followed the close of the Civil War. There were some sharp rallies in the market, but that was all. The entire country, North and South, had been pretty well exhausted by the long and cruel war. A million men came back from the armies to peaceful pursuits. Demand for ships, arms, munitions and equipment and supplies of all kinds fell off to a small part of the huge requirements of war times, and this, of course, helped along the decline in stocks. There was nothing on which to base a bullish movement. The large paper money circulation was gradually reduced, over $150,000,000 being retired between 1865 and 1868.

From the close of the Civil War the stock market did not see another bull market worthy of the name until the period from 1877 to 1881, when another large upward movement took place. It had required the better part of the intervening thirteen years for the country to complete the recovery from the effects of the war strain. The recovery was gradual and business throughout the period showed an unmistakable tendency towards improvement.

When the war with Spain was declared in 1898, economic conditions bore some similarity to those prevailing prior to the opening of the Civil War. For several years the low tariff policy had been in force, and as is usual at such times, manufacturing was at a low ebb. In July, 1897, however, the Dingley high tariff bill was passed, and at once improvement in the business and market situation took place.

The War with Spain

Declaration of war against Spain was the excuse for a sharp reaction, but it is probable that this quick decline, with its equally rapid recovery, was but the completion of the accumulative tactics often used by influential market interests. Prices boomed throughout the war, the first set-back coming with the death of Roswell P. Flower, an ex-Governor of the State of New York, who was a power in the stock market of his day. Mr. Flower's death occurred in May, 1899, and it caused a sensational decline in stocks, and put many large and small speculators out of business for years. The syndicate controlled by Ex-Governor Flower had been able to advance Brooklyn Rapid Transit to the record price of $137 and People's gas was up to $129½. On his death the former crashed down 76 points and the latter, 28½.

By the latter part of 1899, the stimulus to business, partly due to the war demand and partly to other causes, had been removed and there was a considerable slowing up. But the two set-backs of this year, one in the Spring, on the collapse of the Flower syndicate, and another in the Fall, on the British scarce over defeats by the Boers in South Africa, did nothing more than check for a time the great advance which did not finally end until 1902, the crash coming in the following year, with the celebrated "undigested securities panic" of 1903.

The market history during and after the Spanish-American war is of little value for present comparison. It endorses the important effect which war has upon the stock market, and bears out the theory that the outbreak of actual warfare is a bullish influence. The reasons, therefore, are entirely obvious. But it throws little light on the question of whether or not another boom is to follow the signing of peace.

The European War

Readers are no doubt familiar with the conditions which prevailed at the beginning of the great European war in 1914. This country was at the time just about ready to immerge from a period of economic depression which had obtained for four or five years, and the stock market had been declining, in the main, since 1909. It was not long after the beginning of the war that the urgent needs of Europe for our raw materials, manufacturers, foodstuffs and munitions began to stimulate business and expansion to an unprecedented degree, and the boom in stocks, which took place in 1915 and again in 1916, particularly in the industrial issues, was one of the most notable in market history.

The Present Situation

Late in 1916, and early in the present year, the market suffered a sharp set-back, although business generally and demand for all kinds of products have experienced no let up, and in many lines the demand is greater than ever before. With the active participation of this country in the war on the side of the Allies, precedent is strongly in favor of the probability of a boom in business and the stock market. There can be no doubt that the abnormal stimulus which war requirements gives to demand for practically all kinds of products is already making itself felt, and the huge production of the past two years, which established entirely new record figures, bids fair soon to be far exceeded. Of course, there is the offset of undoubtedly smaller profits in proportion to the amount of the actual turn-over, on account of the new policy of government price fixing. Yet it must not be forgotten that doing business on smaller profit percentages is but one of the characteristic features of the later period of an era of prosperous times. The proposed excess profits tax is another factor in the way of a "war boom" at this time, but that of itself, unless excessive in rate to the point of being confiscatory, would not be sufficient reason for the abandonment of the project of an upward movement in the market, which would normally follow in response to the stimulation of new war business.

In the past two years there has, however, been two exceptional bullish movements in stocks, and one really important reaction. An extensive distribution of securities took place during these two movements, and it is a serious question if sufficient time has since elapsed to allow for a satisfactory digestion of that huge distribution of securities to the public. The time has been exceedingly short, considering the vast volume of shares which have changed ownership during the two years. A great bull movement may be made in six months or less, but it might require six years to get over it! It is really a certain type of dissipation.

A Peace Boom?

Whether a "peace boom" will follow the ending of the war may depend largely upon how long the war lasts, and whether or not another "war boom" results from the actual participation of the United States. If we were to see another upward movement in the stock market during the duration of the war, the chances would be very much against a "peace boom" afterwards. Bull markets may not be too closely piled one on the other.

BRITISH RAILROAD REGULATION

Commenting upon Mr. Ivy Lee's article "What's the Matter With the Railroads" which appeared in the March 31 issue of THE MAGAZINE OF WALL STREET, Sir Robert Perks, writing from London under the date of April 18 makes the following interesting observations:

"Although a very large amount of American Railroad stock has been sold to the United States within the last two years, yet at the same time British investments in your railroad stocks and bonds are still enormous.

"We think that you might possibly take a leaf out of our book with reference to your railway passenger rates. In this country, and indeed in most other countries, where Charters are granted for railroad construction, the maximum rates chargeable for passenger and freight purposes are clearly stated. So far as passenger rates are concerned the Companies have absolute authority, without any interference or restriction by Public Boards, to charge any rate they think proper to passengers travelling on their roads, provided the maximum figure authorized by the Charter is not exceeded.

"For example, our Underground Electric roads operating in London which are held to such a large extent by American investors, are today charging a sum far below the maximum rate which they are entitled to charge, and which in my judgment, and that of many other people, they ought to charge.

"An additional charge of half a cent per passenger on these rates, which the Public would readily pay, and which the railroads have power to charge, would convert an undertaking, which at present pays nothing at all upon a capital of $25,000,000 into a 5% property. We cannot, however, blame the Public Authorities in this case. Our proprietors have themselves alone to blame.

"With reference to our freight charges—our Parliament has of late years broken the bargain, which was made with the proprietors, by prohibiting any variation of freight rates without the consent of the Railway Commissioners, so that so far as goods traffic is concerned, we seem here to be very much in the same condition as you are in America with the control of the Interstate Commerce Commission.

"Mr. Ivy Lee puts his finger upon one of the weakest points in connection with your Government's policy and ours on this subject. It is manifest that unless investors in railway properties are permitted to make a reasonable profit, no more capital will be found for railway construction. The whole burden would in that event fall upon the Public Taxpayers, for it is manifest that railways must be built somehow or another.

"I am, my dear Sir,

"Yours faithfully, R. W. PERKS."

(Sir Robert Perks)

Observations

By J. S. COHEN

ON a stated morning any time during the year two brokers in different sections of the city may arise at the same time, eat the same breakfast amid identical surroundings, read the same newspapers and reach their respective offices at the same time, but there the similarity ends. Jones, by reason of his morning's observations in the newspapers, has become decidedly bullish and believes the market is a good buy. While Brown, who has not missed reading anything Jones had access to, enters the door marked "Private" convinced that everything is going to pieces. Both are right—that is, sometime or other—but on the particular day we have had the two prophets shadowed, the market chooses to move within a range of from three-eights to one-half a point, and the "net change" column at the end of the day looks like a drawn game of "tick-tack-too."

Then again—with nothing especially in the air, 75 per cent. of the Joneses may come downtown one morning against only 25 per cent of the Browns, with the usual result that the greater percentage carries the floor.

The old theory that a conclusion must be based upon indisputable premises holds good even here. The Browns and Joneses must necessarily *act* in accordance with their opinion and judgment, for if one *thinks* and *believes* the market will go up but buys not a share, while the other, willing to back up his bearish belief, sells a few hundred shares—the bears have it.

* * *

The Chart Trader

Very often the chart trader shows you by incontrovertible figures, lines, diagrams and squares that a certain stock by virtue of its peculiar but significant gyrations during the past thirty-seven days, is now positively due for a move either up or down. He proves it to you in so many different ways that you wonder why he has not amassed a fortune with all that wonderful skill and knowledge at his command. However, a few weeks later, you happen to stumble on the same chart trader and you realize that not being as clever as he was, you have saved quite a sum of money.

* * *

Genius

The man who always makes money in Wall Street is to be found in every broker's office. He has had all the worth while tips—has figured everything out in advance, that is, he tells you he did—after the move is over. This specimen is a very clever fellow! He admits it! All inside information is submitted to him before it is passed on to Mr. Morgan and Mr. Vanderlip. Of course, everything is strictly "under your hat," "below your belt" or "sub-rosa" to not more than ten or fifteen impressed listeners a day. The wonder of it is that this financial genius, with Blue Book and Who's Who connections, goes back to his retail hardware store in due course and Wall Street has lost another jewel.

* * *

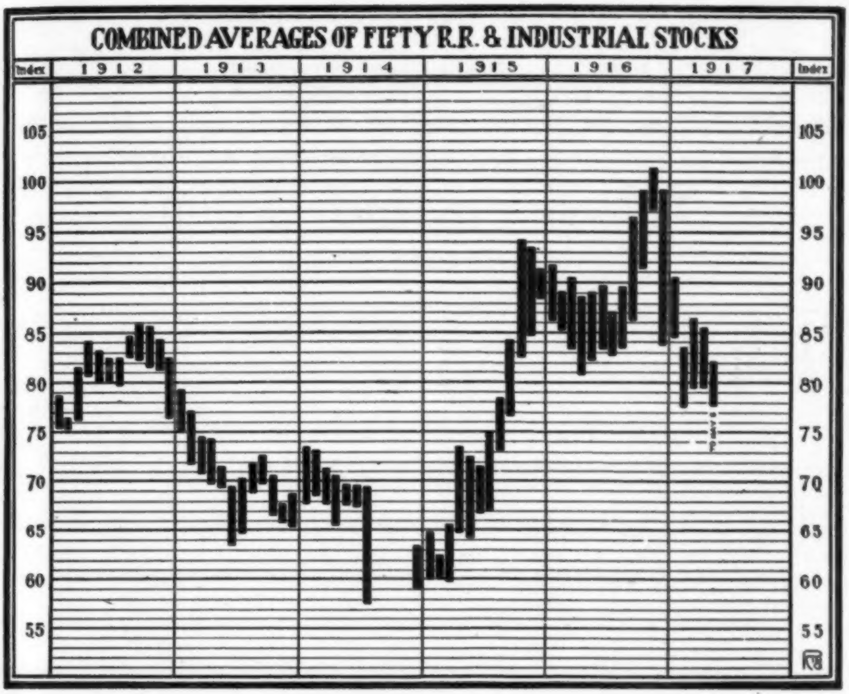
Why His Hair Turns Gray

The famous order, "Please sell my hundred Steel at the high price today," stands alongside of the letter received by a brokerage house from a man out West:

"Gentlemen: Enclosed please find my note for $250 against which please buy for my account 400 shares of Reading. If this is not sufficient margin let me know and I will try to send you $50 in cash."

A lady evidently wishing to get real value for her money, once wrote, indicating her desire to buy something "about par." Another requested advice as to what stock to buy, and also what else to buy with the profit she was going to make on the entire transaction. And then some people wonder why a broker's hair turns gray early in life—or sometimes he is left with no hair at all!

Market Averages



MARKET STATISTICS

			Dow Jones Avgs.		50 Stocks			Breadth
			20 Inds.	20 Rails	High	Low	Total Sales	(No. Issues)
Monday,	April	23........	90.96	96.58	80.31	79.57	375,200	205
Tuesday,	"	24........	90.66	96.26	80.48	79.67	403,200	194
Wednesday,	"	25........	92.98	97.40	81.57	80.34	967,400	215
Thursday,	"	26........	93.06	97.90	82.44	81.31	958,600	211
Friday,	"	27........	93.10	97.61	82.18	81.34	560,400	211
Saturday,	"	28........	92.65	96.75	81.67	81.01	272,900	164
Monday,	"	30........	93.23	96.80	81.62	80.99	307,500	174
Tuesday,	May	1........	93.43	96.17	82.02	81.13	490,100	192
Wednesday,	"	2........	92.48	95.35	81.99	80.57	433,100	196
Thursday,	"	3........	90.98	93.39	79.94	78.68	909,100	233
Friday,	"	4........	90.45	92.13	79.41	78.23	561,100	211
Saturday,	"	5........	90.20	91.74	78.66	77.89	280,900	201

Submarines and Cotton

By RICHARD S. SLATER

JUST as the cotton market had arrived at the conclusion that instead of the great increase in cotton acreage that at one time was so confidently predicted there will be a material decrease, came a sudden awakening to a realization that the submarine menace had a direct bearing on cotton values.

The war is the one big thing in the world today. War is the world's business at the present time, and all other businesses are but minor matters—to be ruined entirely if that in any way will help along the main affair. When asked a leading question concerning the war the other evening Ambassador Gerard answered simply "I am no fortune teller." Yet to intelligently manage his business affairs at the present time every business man in the world must guess as to what are to be the developments in the realm of big business—which today is war. A man's past experience, his knowledge of crop conditions, of trade statistics, and all that in normal times makes for the business knowledge that spells success, is as useless as the dews that fell in the Garden of Eden are to this spring's crops. Perhaps in some way those dews are helping these crops, perhaps in some way the cotton man's experience may serve some good turn, but just now he would feel more secure if he knew that he was a seventh son of a seventh son born with a cowl and a double veil. What he feels the need of is some ability to read the future of martial events, and in this he finds his business experience neither an aid nor an inspiration.

The Situation

The cotton situation is like this: The South has shown horse sense. It has not over-planted. It has gone in for foodstuffs more extensively than ever before. It will not produce more cotton than is needed by the rest of the world outside of the line that has been drawn around our enemies. In spite of the academic arguments of certain cotton statisticians who are living in the past to prove that prices are unreasonably high, the mills are making money at present prices—American mills more than they ever made before—and all the cotton that will be raised this year will be readily absorbed at even higher prices than those of today, if our Allies on the other side can get the cotton they will want. Here bobs up the periscope of the U-boat. If the United States is not going to be able to export cotton, then there will be more cotton in this country than the mills can handle.

The first day the market began to take the submarine situation seriously there was a break of fifty points in the first half-hour's trading. It was an attack of nerves, and there promises to be many such, albeit the cotton market is learning to take its war news rather stoically. It is not anything that has happened that has alarmed the market, for in spite of the enormous amount of shipping destroyed by the submarines cotton exports this year to date have been larger than for the same period of last year and fully up to expectations. The prevailing pessimistic predictions as to the future, which have been the real disturbing factor, have come largely from British sources. It is very probable that our English friends, feeling that this country did not fully appreciate the seriousness of the situation, have been trying to alarm us by dark forebodings so as to arouse us to greater efforts. The English public was so slow to awaken that British statesmen have become adepts in the art of arousing sentiment by creating fear. As this country gets deeper into the conflict we will be able to draw our own conclusions from our own observations. England is particularly anxious that Uncle Sam get busy fishing for submarines—and he is going to get busy. It seems as certain as anything can be certain that means will be found to supply France and England with all that they must have to successfully continue the war; and this means that cotton exports are not going to be shut off. Cotton goods form at the present time a most important item among all the exports of the British Isles. The north of England could not live without the cotton industry. Cotton is second in its importance to England only to food, and England will need at least as much American cotton next year as this. By the time the next crop begins to move America will have ships in which to move it and a navy strong enough to protect those ships. This is a time when to be successful in the cotton business, or any other business for that matter, a man must be right in a broad sense. It is no time to trouble over, or even consider, the small matters which in normal times are so essential to a safe conduct of business. Looking at the matter broadly, there is nothing against cotton or its prospects save the one matter as to what extent Germany is going to be able to interfere with our commerce. To take a pessimistic view of our ability to successfully combat the undersea boat would be unpatriotic to say the least, and it would also be bad business judgment.

It looks now as though the total cotton acreage would be about 800,000 acres smaller than that of last year. The season to date is two or three weeks late. The promise is certainly not for an exceptionally large cotton crop. War conditions are inflating prices of all commodities, and there is no possible chance of cotton's being an exception to this rule. There is every reason to believe that we will be able to export as much cotton next season as this, and this cannot but mean high-priced cotton in the end.

Economy in Wheat Consumption

By P. S. KRECKER

WHEN the prices of commodities began to soar this Spring to almost unheard of figures, a demand arose that the future markets be shut down. The public failed to observe that the cash markets were leading the advance and that, instead of further inflating the bubble, the future or speculative markets were lagging and tending to check the rise. Cash wheat has sold above options for months and today continues to command a much better price. Instead of curbing the runaway market for commodities, suspension of trading in options would undoubtedly have a directly opposite effect. This statement is made in the light of what has happened recently in the Winnipeg market. Limitation of speculation in that Canadian wheat exchange had sensational results, the market jumping nearly 60 cents a bushel in two days because the floating supply of contracts had been arbitrarily reduced to proportions which were inadequate to meet the requirements of the short interest. As the shorts could not either cover or secure cash wheat for delivery, their situation became acute. It has recently been said with truth that the Chicago Board of Trade was the cheapest wheat market in the world. May wheat was bought and sold there for less than $3.00 a bushel when almost every cash market was at or above the $3.00 level. To interfere with the machinery of a market which is so well designed to stabilize prices would be foolish.

While the Government report as of May 1 has clarified the situation and shown that the probabilities are of a larger wheat production this year than was deemed probable a month ago, the question of supplies promises to be sufficiently serious to necessitate special measures for relief. The Allies will require all of the wheat that this country can spare for at least another year even if the war should terminate in the meanwhile. Recent estimates indicate a carry-over into the next crop year of around 30,000,000 bushels and possibly more. This is small, but something, in view of the theoretical exhaustion of supplies. With such a small carry-over and with the total crop at best likely to be moderate, it is reasonable to expect that measures will be taken by the United States government to effect economy in the consumption of wheat during the ensuing crop year.

There are two ways of economizing wheat in the milling of flour. One is to retain a larger percentage of the kernel of the wheat in flour than is now practised.

Another method of increasing the supply of bread is by mixing with wheat flour, the flour of corn or oats. Either of these coarse grains, when mixed with wheat, makes bread of a fair quality as to appearance and of undoubted wholesomeness. Corn can be mixed with wheat flour in the proportion of about 85 per cent. wheat and 15 per cent. corn without being detected except possibly by experts. A higher admixture of corn flour is likely to make the bread too mealy. Its texture will be poor and it will disintegrate easily, as does corn meal bread. On the other hand oats flour can be mixed with wheat flour in a proportion as high as 30 per cent. without injuring either the texture of the bread or reducing its nutritious value. With wheat worth nearly five times as much as oats and corn commanding double the price, it is reasonable to expect that oats will be mixed extensively with wheat flour. An average of only 20 per cent. of oatmeal or cornmeal in flour would mean an enormous saving of wheat. If, in adition, a larger percentage of the wheat kernel is milled, long strides will be taken towards making up for the shortage of wheat. The Government is reported to have conducted experiments along these lines which show that the equivalent of 200,000,000 bushels of wheat a year can be provided in this country alone by grinding more of the wheat kernel and mixing flour of other grains with wheat.

Fortunately, in view of the probability that such means as have been mentioned will be employed to increase the supply of human food in the United States, the prospects are for large crops of both oats and corn. Private estimates make the increase in acreage of oats this year about 14 per cent. Acreage of corn also is enormous and probably record-breaking. The report of the government on crop reserves as of March 1 showed 393,985,000 bushels, to which must be added 36,746,000 bushels in the visible supply of that time or a total of 430,731,000 bushels. The average reserves of oats in farmers' hands on the date in question is 458,239,000 bushels. Reserves of corn on March 1 were quite well below the average, being 789,416,000 bushels against the five-year average of 1,013,000,000 bushels. Including the visible supplies at that date, the total quantity of corn in the country were 802,347,000 bushels.

Prospects

The prospects for a big corn crop have been brightened materially by the poor winter wheat season. Corn will be sown in place of winter killed wheat in many districts. So will oats, but it requires less seed corn to sow an acre than oats to seed an equal area. Both of these cereals are playing a more important part in the speculative markets than they have in years. Increased speculative attention is being paid to oats because of the price. There is a relative value between corn and wheat and also between oats and corn. Corn and wheat are not as badly out of line as are oats and wheat and oats and corn. Oats are relatively cheap, and only the fact that they are selling at the highest price in years keeps some operators from trading in them. The public has been a large buyer of oats, however, and the question has been raised whether the market is not over-bought.